1. The purpose of this bulletin is to issue revised financial rules as follows:

   i. A new financial rule 109.5.10 is promulgated specifically to govern the award of grants to grant beneficiaries, including implementing partners.

   ii. Financial rules 101.1.3, 109.1.1 and 109.1.2 are amended to further refine the principles and definitions applicable to the delegation of authority of the Director General in respect of financial activities, including expenditures. Financial rule 109.1.4 is updated to include grant-related payments.

   iii. Editorial changes have been introduced throughout the financial rules, principally to update the rules with the latest Secretariat structure.

2. There are no substantive changes to the financial regulations. For purposes of this bulletin, however, references to the “Director-General” have been updated to “Director General”, in line with current usage.

3. The text of the financial regulations and rules is hereby published in an updated edition in English, which contains all amendments that have been introduced to date.

4. This bulletin supersedes Director General’s bulletin UNIDO/DG/B.74/Rev.2 of 18 August 2006 and takes effect from 1 December 2021.
## Contents

<table>
<thead>
<tr>
<th>Article</th>
<th>Regulation</th>
<th>Rule</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I.</td>
<td>1.1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>101.1.1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>101.1.2</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>I.</td>
<td>101.1.3</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>II.</td>
<td></td>
<td>2.1</td>
<td>2</td>
</tr>
<tr>
<td>II.</td>
<td></td>
<td>2.2</td>
<td>2</td>
</tr>
<tr>
<td>III.</td>
<td></td>
<td>2.1.</td>
<td>2</td>
</tr>
<tr>
<td>III.</td>
<td></td>
<td>2.2.</td>
<td>2</td>
</tr>
<tr>
<td>III.</td>
<td></td>
<td>3.1.</td>
<td>2</td>
</tr>
<tr>
<td>III.</td>
<td></td>
<td>3.2.</td>
<td>2</td>
</tr>
<tr>
<td>III.</td>
<td></td>
<td>3.3.</td>
<td>2</td>
</tr>
<tr>
<td>III.</td>
<td></td>
<td>3.4.</td>
<td>3</td>
</tr>
<tr>
<td>III.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>III.</td>
<td></td>
<td>3.4.1</td>
<td>3</td>
</tr>
<tr>
<td>III.</td>
<td></td>
<td>3.4.2</td>
<td>3</td>
</tr>
<tr>
<td>III.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>III.</td>
<td></td>
<td>3.5.</td>
<td>3</td>
</tr>
<tr>
<td>III.</td>
<td></td>
<td>3.6.</td>
<td>4</td>
</tr>
<tr>
<td>III.</td>
<td></td>
<td>3.7.</td>
<td>4</td>
</tr>
<tr>
<td>III.</td>
<td></td>
<td>3.8.</td>
<td>4</td>
</tr>
<tr>
<td>III.</td>
<td></td>
<td>3.9.</td>
<td>4</td>
</tr>
<tr>
<td>III.</td>
<td></td>
<td>3.10.</td>
<td>4</td>
</tr>
<tr>
<td>III.</td>
<td></td>
<td>3.11.</td>
<td>4</td>
</tr>
<tr>
<td>III.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>III.</td>
<td></td>
<td>3.11.1</td>
<td>5</td>
</tr>
<tr>
<td>III.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>III.</td>
<td></td>
<td>3.12.</td>
<td>5</td>
</tr>
<tr>
<td>IV.</td>
<td></td>
<td>4.1</td>
<td>5</td>
</tr>
<tr>
<td>IV.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IV.</td>
<td></td>
<td>4.1.1</td>
<td>5</td>
</tr>
<tr>
<td>IV.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IV.</td>
<td></td>
<td>4.2</td>
<td>6</td>
</tr>
<tr>
<td>IV.</td>
<td></td>
<td>4.3</td>
<td>7</td>
</tr>
<tr>
<td>V.</td>
<td></td>
<td>5.1</td>
<td>7</td>
</tr>
<tr>
<td>V.</td>
<td></td>
<td>5.2</td>
<td>7</td>
</tr>
<tr>
<td>V.</td>
<td></td>
<td>5.3</td>
<td>8</td>
</tr>
<tr>
<td>V.</td>
<td></td>
<td>5.4</td>
<td>8</td>
</tr>
<tr>
<td>V.</td>
<td></td>
<td>5.5</td>
<td>9</td>
</tr>
<tr>
<td>V.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>V.</td>
<td></td>
<td>5.5.1</td>
<td>9</td>
</tr>
<tr>
<td>V.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>V.</td>
<td></td>
<td>5.6</td>
<td>9</td>
</tr>
<tr>
<td>VI.</td>
<td></td>
<td>6.1</td>
<td>10</td>
</tr>
<tr>
<td>VI.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VI.</td>
<td></td>
<td>6.1.1</td>
<td>10</td>
</tr>
<tr>
<td>VI.</td>
<td></td>
<td>6.1.2</td>
<td>10</td>
</tr>
<tr>
<td>VI.</td>
<td></td>
<td>6.1.3</td>
<td>10</td>
</tr>
<tr>
<td>VI.</td>
<td></td>
<td>6.1.4</td>
<td>10</td>
</tr>
<tr>
<td>VI.</td>
<td></td>
<td>6.1.5</td>
<td>10</td>
</tr>
<tr>
<td>VI.</td>
<td></td>
<td>6.1.6</td>
<td>10</td>
</tr>
<tr>
<td>VI.</td>
<td></td>
<td>6.1.7</td>
<td>11</td>
</tr>
<tr>
<td>VI.</td>
<td></td>
<td>6.1.8</td>
<td>11</td>
</tr>
<tr>
<td>VI.</td>
<td></td>
<td>6.1.9</td>
<td>11</td>
</tr>
<tr>
<td>VI.</td>
<td></td>
<td>6.2</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>106.1.1</td>
<td></td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>106.1.2</td>
<td></td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>106.1.3</td>
<td></td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>106.1.4</td>
<td></td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>106.1.5</td>
<td></td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>106.1.6</td>
<td></td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>106.1.7</td>
<td></td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>106.1.8</td>
<td></td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>106.1.9</td>
<td></td>
<td>11</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Article</th>
<th>Regulation</th>
<th>Rule</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>VI.</td>
<td>Industrial Development Fund</td>
<td>6.2</td>
<td>11</td>
</tr>
</tbody>
</table>
Trust funds, reserve and special accounts

Crediting of interest or other income

VII. Custody of funds

VIII. Investment of funds

IX. Internal control

Property management
Scope of audit
11.3. 36
11.4. 37
11.5. 37
11.6. 37
Facilities
11.7. 37
11.8. 37
11.9. 37
11.10. 37
Reporting
XII. General provisions 37
Financial rules 12.1. 37
Entry into force and amendments 12.2. 38
112.1.1 38
112.2.1 38
112.2.2 38
Annex to the Financial Regulations 39
Additional terms of reference governing the audit of the United Nations Industrial Development Organization
Article I
Applicability

Regulation 1.1. The present Regulations shall govern the financial administration of the United Nations Industrial Development Organization, hereinafter referred to as the “Organization”.

Rule 101.1.1

The present Financial Rules are issued by the Director General in accordance with the provisions of financial regulation 12.1. Subject to the Financial Regulations, they shall govern the administration of all financial activities and transactions of the United Nations Industrial Development Organization, except as may otherwise be provided by the General Conference, or expressly and in writing exempted therefrom by the Director General. The Managing Director, Directorate of Corporate Management and Operations, shall be generally responsible for the administration of the present Rules on behalf of the Director General. The authority of the Managing Director, Directorate of Corporate Management and Operations, may be delegated in writing under the present Rules, as appropriate, to other officials, provided that the prior written approval of the Director General is obtained.

Rule 101.1.2

All UNIDO staff members are obliged to comply with the Financial Regulations and Rules and with administrative instructions issued in connection with those Regulations and Rules. Any staff member who contravenes the Financial Regulations or Rules or corresponding administrative instructions may be held personally accountable and financially liable for his or her action in accordance with staff rule 101.06.

Definitions

Rule 101.1.3

For the purpose of the present Financial Rules:
(a) “Board” shall mean the Industrial Development Board;
(b) “Certifying officer” shall mean the allotment holder, alternate allotment holder or an official with sub-delegated authority;
(c) “Conference” shall mean the General Conference;
(d) “Division” shall mean any organizational unit of the Secretariat, so designated by the Director General, and a directorate, department or the Office of the Director General;
(e) “Fiscal period” shall mean the biennium;
(f) “IDF” shall mean the Industrial Development Fund;
(g) “Head of division” shall mean the Director General, Managing Director, Chief of Cabinet, Director or other officer in charge of an organizational unit;
(h) “Headquarters” shall mean UNIDO Headquarters in Vienna;
(i) “MD/CMO” shall mean the Managing Director, Directorate of Corporate Management and Operations;
(j) “Operational budget” shall mean the budget financed from voluntary contributions to the Organization, and from such other income as is provided for in the Financial Regulations, including the reimbursement of the support costs of technical assistance activities, which shall provide for expenditures for technical assistance and other related activities;

(k) “Regular budget” shall mean the budget to be financed from assessed contributions, which shall provide for expenditures for administration, research, other regular expenses of the Organization, and other activities, as provided for in annex II to the Constitution of UNIDO;

(l) “Regulation” shall mean a financial regulation of UNIDO;

(m) “UNIDO” or “Organization” shall mean the United Nations Industrial Development Organization.

Article II
Financial Periods

Regulation 2.1. The financial period for the purpose of the biennial programme and budgets shall consist of two consecutive calendar years (hereinafter referred to as a biennium), the first of which shall be an even year.

Regulation 2.2. The financial period for the preparation of annual financial statements shall consist of a calendar year (hereinafter referred to as a financial year), starting from 1 January and ending on 31 December inclusive.

Article III
Programme and Budgets

Preparation of the budgets

Regulation 3.1. The Director General shall prepare and submit to the Industrial Development Board (hereinafter referred to as the “Board”) through the Programme and Budget Committee, at a time specified in financial regulation 3.5 a draft programme of work for the following biennium, together with the corresponding estimates for those activities to be financed from the regular budget. The Director General shall, at the same time, submit proposals and financial estimates for those activities to be financed from voluntary contributions to the Organization.

Regulation 3.2. The financial estimates shall cover income and expenditures for the biennium to which they relate and shall be presented in euros.

Regulation 3.3. The financial estimates shall show the income and the expenditures of the Organization under a regular and an operational budget in the following manner.

(a) A regular budget to be financed from assessed contributions, which shall provide for expenditures for administration, research, other regular
expenses of the Organization and for other activities, as provided for in annex II of the Constitution;

(b) An operational budget to be financed from voluntary contributions to the Organization and from such other income as is provided for in the present regulations, including reimbursement of support costs of technical assistance activities, which shall provide for expenditures for technical assistance and other related activities.

Form of the budgets

Regulation 3.4

(a) The regular budget shall be divided into major programmes, programmes and subprogrammes for expenditure as well as into sections for income. It shall also be presented by major objects of expenditure. It shall be accompanied by such information annexes and explanatory statements as may be requested by the General Conference, the Board or the Programme and Budget Committee as well as such annexes as the Director General may deem necessary or useful. The regular budget also shall be accompanied by a statement on the main changes in comparison with the previous biennium;

(b) The operational budget shall show the expected income and expenditures in respect of voluntary contributions to the Industrial Development Fund, in respect of such trust funds, reserve and special accounts as have been or may be established by the Director General and in respect of support costs of technical assistance activities. It shall be accompanied by such information annexes and explanatory statements as may be requested by the Conference, the Board or the Programme and Budget Committee, as well as such annexes as the Director General may deem necessary or useful.

Rule 103.4.1

At the beginning of the budgeting process, the Director General shall approve the programme and narrative structure and designate programme managers. Programme and subprogramme narratives shall cover the programme of work, including a statement of objectives and justification of the activities proposed for the following fiscal period.

Rule 103.4.2

The estimates of the regular budget and the operational budget shall include information on revenue-producing activities, showing the estimates of gross revenue and expenditure for each such activity, as well as the credit to the appropriate income section of the regular or operational budget concerned in respect of the net revenue derived from each such activity.

Review of the budgets

Regulation 3.5. The Director General shall, in the second year of each biennium, submit a draft programme of work and the corresponding estimates for the regular budget and the operational budget for the following biennium to the Board through the Programme and Budget Committee, as soon as possible and at the latest forty-five days prior to the opening of the session of that Committee.
Regulation 3.6. The Programme and Budget Committee shall consider the proposals of the Director General and submit to the Board its recommendations on the proposed programme of work and corresponding estimates for the regular and the operational budgets forty-five days prior to the opening of the Board’s session. Such recommendations of the Committee shall require a two-thirds majority of the members present and voting.

Regulation 3.7. The Board shall examine the proposals of the Director General together with any recommendations of the Programme and Budget Committee, and adopt by a two-thirds majority of the members present and voting the programme of work, the regular budget and the operational budget with such modifications as it deems necessary, for submission to the Conference for consideration and approval. The report of the Board, containing the programme of work and related budgets as adopted by the Board, shall be transmitted to all Members as soon as possible and at the latest forty-five days prior to the opening of the regular session of the Conference.

Regulation 3.8. The Conference shall, prior to the end of the second year of a biennium, consider and approve by a two-thirds majority of the Members present and voting the programme of work and the corresponding regular budget and operational budget submitted to it by the Board for the following biennium. The Conference may make amendments in the programme of work and the corresponding budgets, in accordance with financial regulation 3.11.

Supplementary estimates for the current biennium

Regulation 3.9. Supplementary estimates for the current biennium for the regular and operational budgets shall, when required, be submitted by the Director General. They shall be prepared in a form consistent with the approved budgets, and they shall be reviewed and approved in accordance with the procedure laid down for the initial estimates in regulations 3.5 to 3.8 and 3.11.

Revised estimates for the following biennium

Regulation 3.10. Revised estimates for the following biennium for the regular and operational budgets shall, when required, be submitted by the Director General. They shall be prepared in a form consistent with the initial estimates in regulations 3.5 to 3.8 and 3.11, and they shall be reviewed and approved in accordance with the procedure laid down for the initial estimates except that the applicable time limits for the submission of documents may be waived if necessary.

Resolutions or decisions involving expenditure

Regulation 3.11. No resolution, decision or amendment involving expenditure which has not already been considered by the Programme and Budget Committee and examined by the Board in accordance with financial
regulations 3.6 and 3.7 shall be approved by the Conference unless it is accompanied by a programme and financial implication statement prepared by the Director General. No resolution, decision or amendment in respect of which expenditures are anticipated by the Director General shall be approved by the Conference until the Programme and Budget Committee and, subsequently, the Board, meeting concurrently with the Conference, have had an opportunity to act in accordance with financial regulations 3.6 and 3.7. The Board shall submit its decisions to the Conference. The approval by the Conference of such resolutions, decisions and amendments shall require a two-thirds majority of all Members.

Rule 103.11.1

It shall be the responsibility of the head of the division concerned, in consultation with the Director, Department of Finance, to ensure that the statement on the programme and financial implications as required by financial regulation 3.11 is prepared for submission to the Board, through the Programme and Budget Committee, and to the Conference prior to the adoption of any decision.

Commitments for future bienniums

Regulation 3.12. The Director General may enter into commitments for future bienniums, provided that such commitments:

(a) Are for activities which have been approved by the Conference and are expected to continue beyond the end of the current biennium; or

(b) Are authorized by specific decisions of the Conference.

Article IV
Budgetary Approval

Authorization to incur obligations and to make payments

Regulation 4.1

(a) Approval by the Conference of the programme of work and corresponding regular budget shall constitute an authorization to the Director General to incur obligations and to make payments for the purposes thus approved and within the appropriations approved therefor;

(b) Approval by the Conference of the proposals and corresponding operational budget shall constitute an authorization to the Director General to incur obligations and to make payments for the purpose of implementing the activities indicated in the operational budget and within the financial resources available for the operational budget;

(c) The Director General is expected at any time to monitor income and expenditure under the operational budget and shall take the initiative to reduce expenditure as soon as it becomes clear that actual income will not be sufficient to support expected expenditure levels.
Rule 104.1.1

An outstanding legal obligation shall be based either on a contract, a purchase order, an agreement or other form of undertaking in writing by the Organization, or it shall be based on a liability recognized by the Organization and supported by an appropriate obligating document. The obligation shall be carried as an unliquidated obligation during the period set forth in regulation 4.2 (b), unless liquidated prior thereto.

Rule 104.1.2

In those cases where the legal obligation cannot be liquidated within the time period set forth in regulation 4.2, subparagraph (b), the procedure under regulation 4.2, subparagraph (c), shall be followed. This procedure requires the examination of each such obligation in accordance with rule 109.2.4 before it is cancelled or re-obligated against current appropriations.

Current and future bienniums

Regulation 4.2

a) Regular budget appropriations shall be available for obligation during the biennium to which they relate;

(b) Regular budget appropriations shall remain available for twelve months following the end of the biennium to which they relate, to the extent that they are required to discharge obligations in respect of goods supplied and services rendered during that biennium and to liquidate any other outstanding obligation of that biennium. The unencumbered balance of the appropriations at the end of a biennium shall be surrendered to the Members at the end of the first financial year following the biennium after deducting therefrom any contributions from Members relating to that biennium which remain unpaid, and shall be credited to the Members in proportion to their assessed contributions in accordance with the provisions of financial regulations 4.2 (c) and 5.2 (d);

(c) At the end of the twelve-month period referred to in subparagraph (b) above, the then remaining balance of any regular budget appropriations retained shall be reported in detail by the Director General to the External Auditor for examination and review and, after deducting therefrom any contributions from Members relating to the biennium of the appropriations which remain unpaid, shall be surrendered to the Members in proportion to their assessed contributions at the end of the second financial year following the biennium to which the appropriations relate, provided, however, that before the respective share of the balance is surrendered to any Member that has outstanding regular budget obligations to the Organization, those obligations shall first be brought to account. Any unliquidated regular budget obligation of the biennium in question shall at that time either be cancelled or, where the obligation remains a valid charge, transferred as an obligation against the current appropriations.
Transfer of expenditures

Regulation 4.3

(a) No transfer of expenditures shall take place between the regular budget and the operational budget;

(b) No transfer between major objects of expenditure within the regular budget may take place, except when approved by the Conference in accordance with regulation 3.11;

(c) Transfers within major objects of expenditure of the regular budget may be made by the Director General, who shall inform the Board, through the Programme and Budget Committee, and the Conference thereof as soon as possible provided that in the first biennium following its creation, a Professional-level post may not be transferred to another programme or subprogramme.

Article V
Provision of Funds for the Regular Budget

Appropriation and assessment

Regulation 5.1

(a) The appropriations approved for regular budget expenditures, subject to the adjustments effected in accordance with the provisions of regulation 5.2, shall be financed by mandatory contributions from the Members in accordance with a scale of assessments established by the Conference as provided in Article 15 of the Constitution;

(b) Pending the receipt of such contributions, the appropriations may be financed from the Working Capital Fund;

(c) For each financial year of the biennium, Members shall contribute one half of the total approved amount;

(d) Each assessment shall be established in euros.

Regulation 5.2. For each of the financial year of the biennium, the assessment of Members shall be adjusted in respect of:

(a) Supplementary appropriations for which contributions have not yet been assessed;

(b) Half of the estimated miscellaneous income to the regular budget for the biennium and credits in respect of income not previously taken into account;

(c) Contributions resulting from the assessment of new Members as provided in financial regulation 5.6;

(d) Any balance of the appropriations surrendered to Members under financial regulation 4.2 (b) and (c).
Tax equalization

Regulation 5.3. When a staff member, notwithstanding Section 18 (b) of the Convention on the Privileges and Immunities of the United Nations or Section 19 (b) of the Convention on the Privileges and Immunities of the Specialized Agencies, as applicable, is subject to national income taxation and pays taxes in respect of the salaries or emoluments paid to him or her by the Organization, and if a tax reimbursement agreement exists between the Organization and the Member State levying such taxes, then that Member State shall refund the Organization the amounts it has disbursed to staff members for such taxes under the terms of such an agreement.

Rule 105.3.1

In accordance with agreements between the Organization and a Member State, the Director General shall reimburse staff members the income tax levied in respect of the salaries or emoluments paid to them by the Organization on receipt of satisfactory evidence of taxes paid to tax authorities.

Working Capital Fund

Regulation 5.4

(a) Upon the recommendation of the Programme and Budget Committee and, subsequently the Board, the Conference by a two-thirds majority of the Members present and voting shall determine the amount and purposes of the Working Capital Fund;

(b) The source of moneys for the Fund shall be advances from Members, which shall be made in the proportion of the scale of assessments established by the Conference for the contributions of Members to the regular budget. The advances shall be carried to the credit of the respective Members who made the advances;

(c) Advances made from the Fund to finance approved regular budget appropriations shall be reimbursed as soon as and to the extent that contributions or advances from Members are available for that purpose;

(d) Advances may be made only for the purposes and within the terms and conditions determined by the Conference in accordance with subparagraph (a) above. Except when they are recoverable from some other source, the advances may be reimbursed through the submission of supplementary estimates for the regular budget;

(e) Income derived from investment of the Fund shall be credited to the General Fund.

Rule 105.4.1

Advances from the Working Capital Fund may be made only for the purposes and within the terms and conditions prescribed by the Conference and only on the basis of a written authorization signed by the Director General. The authorization document shall be prepared by the Director, Department of Finance, and shall clearly state the amount and purpose of the advance.
Collection of contributions and advances

Regulation 5.5

(a) After the Conference has approved the estimates for the regular budget, established the scale of assessments and determined the amount and purposes of the Working Capital Fund, the Director General shall as soon as possible with respect to each year of the biennium:

(i) Transmit the relevant documents to Members;

(ii) Inform Members of their obligations in respect of annual contributions to the regular budget and of advances to the Working Capital Fund;

(iii) Request Members to remit their contributions and advances;

(b) Contributions and advances shall be due and payable in full within thirty days of the receipt of the communication of the Director General, referred to in subparagraph (a) above, or as of the first day of the financial year to which it relates, whichever is later. As of 1 January of the following financial year, the unpaid balance of such contributions and advances shall be considered to be one year in arrears;

(c) Payments made by a Member shall be credited first to the Working Capital Fund and then to the contributions due, in the order in which the Member was assessed;

(d) Advances to the Working Capital Fund shall be assessed and paid in euros;

(e) Contributions to the regular budget are established in euros.

Rule 105.5.1

(a) Contributions to the regular budget and advances to the Working Capital Fund shall be assessed and paid in euro;

(b) Contributions paid in a currency other than the euro will be accepted only if that currency is freely convertible into euro and paid into a euro-denominated bank account of the Organization. Credit shall be given on the date on which the Organization’s bank account receives credit for the funds. All costs related to the conversion of the currency to the euro will be to the account of the Member State concerned.

Contributions from new Members

Regulation 5.6. New Members shall be required to make a contribution to the regular budget for the year in which they become Members and to provide their proportion of the total advances to the Working Capital Fund at rates to be determined by the Conference.
Article VI
Voluntary Contributions and Other Income

Voluntary contributions, including gifts, bequests and subventions

Regulation 6.1. Voluntary contributions, whether or not in cash, may be accepted by the Director General on behalf of the Organization, provided that the purposes for which the contributions are made are consistent with the policies of the Organization. The acceptance of such contributions, which directly or indirectly involve additional financial liability for the Organization, shall require the consent of the appropriate governing bodies of the Organization.

Rule 106.1.1

The establishment of any trust fund or the receipt of any voluntary contribution, including gifts, bequests or subventions, to be administered by the Organization requires the approval of the Director General. Governments, intergovernmental or non-governmental organizations or other non-governmental sources may make such voluntary contributions to the Organization.

Rule 106.1.2

Voluntary contributions may be accepted only if the conditions attached thereto are consistent with the objectives and policies of the Organization and in accordance with the Financial Regulations, the Staff Regulations and Staff Rules or with the applicable administrative instructions.

Rule 106.1.3

A voluntary contribution that directly or indirectly involves an immediate or ultimate financial liability for the Organization that exceeds the contribution may be accepted only if adequate financial resources are made available either through the regular budget or other sources.

Rule 106.1.4

The Director General may accept voluntary contributions in currencies chosen by the contributors, provided that such currencies are readily usable for the purpose of the contribution concerned. The Director General may draw the attention of prospective contributors to the reimbursement of programme support costs and administrative costs being in a freely convertible currency.

Rule 106.1.5

Within the framework of the IDF, a trust fund or a special account, the Director General may establish sub-accounts for specific purposes or programmes consistent with the general policy guidelines for the operation of the IDF, a trust fund or a special account established by the Conference or the Board. The purpose and limits of each sub-account shall be clearly defined.

Rule 106.1.6

The Director General shall allot the funds necessary to carry out programmes and projects, within the limits determined and for the purposes specified by individual agreements and by the Board, as applicable.
Rule 106.1.7

No transfers of expenditures between allotments may be made except on the written authorization of the Director General.

Rule 106.1.8

An allotment by the Director General for a specific project or activity shall constitute the ceiling on commitments, obligations or expenditures to be incurred in connection with that project or activity. Temporary borrowing/lending of funds between allotments is not permitted.

Rule 106.1.9

No commitments, obligations or expenditures against a project may be incurred without the written authorization, normally in the form of an allotment document, of the Director General.

Industrial Development Fund

Regulation 6.2. The Industrial Development Fund shall be financed by voluntary contributions to the Organization and such other income as is provided for in the present Regulations. The Director General shall administer the Industrial Development Fund in accordance with the general policy guidelines governing the operations of the Fund that are established by the Conference, or by the Board acting on behalf of the Conference, and in accordance with the present Regulations.

Rule 106.2.1

The Director General may accept voluntary contributions to the IDF in accordance with the rules governing voluntary contributions (see rules 106.1.1-106.1.9) and general policy guidelines for the operation of the IDF established by the Conference or by the Board.

Rule 106.2.2

Within levels approved by the Board, the Director General shall establish an operational reserve to ensure the financial liquidity of the programme of the IDF and to compensate for uneven cash flows. The operational reserve shall be maintained at a prudent level after providing for programme support costs and administrative costs in accordance with rule 106.3/106.4.2.

Trust funds, reserve and special accounts

Regulation 6.3. Trust funds, reserve and special accounts may be established by the Director General and shall be reported to the Board through the Programme and Budget Committee. Such funds and accounts shall be administered in accordance with the present Regulations.

Regulation 6.4. The purposes and limits of each trust fund, reserve and special account shall be clearly defined. The Director General may, when necessary in connection with the purpose of a trust fund, reserve or special account, promulgate special financial rules to govern the operation of such a fund or
account and report thereon to the Board through the Programme and Budget Committee.

Rule 106.3/106.4.1

In addition to the rules governing voluntary contributions (see rules 106.1.1-106.1.9), trust funds are financed from voluntary contributions for activities specified by the donors. Moneys accepted for purposes specified in agreements concluded with donors shall be treated as trust funds. Such agreements shall be in accordance with the present Financial Regulations and Rules and shall provide a comprehensive framework for administering the activities of the trust funds. Reserves and special accounts may be funded by voluntary contributions or other appropriate sources.

Rule 106.3/106.4.2

Reimbursement for programme support and administrative services

Programme support and administrative services for the preparation and implementation of projects and other activities of the programme of the IDF, of a trust fund or of a reserve or special account shall be provided by the various units of the UNIDO Secretariat. The Director General shall set UNIDO’s policy on the rate of reimbursement for such services from the resources of the IDF, trust fund, reserve or special account. In exceptional situations, where an individual project or activity justifies a different rate, it shall be approved by the Director General upon the advice of the Director, Department of Finance. Reimbursement of programme support and administrative services costs shall be maintained in a separate account, which may be merged with other UNIDO resources for similar purposes.

Regulation 6.5

(a) Moneys accepted for purposes specified by the donor shall be treated as trust funds or special accounts under financial regulations 6.3 and 6.4;

(b) Moneys accepted in respect of which no purpose is specified shall be treated as miscellaneous income and reported as “gifts” in the accounts of the financial year.

Creditng of interest or other income

Regulation 6.6

(a) Interest or other income derived from a contribution to the Industrial Development Fund shall be credited to the Fund’s general account, unless it has been provided in the applicable agreement with the donor that it shall be credited to a sub-account of the Fund;

(b) Interest and other income derived from a trust fund or special account shall be credited to the trust fund or special account concerned, unless otherwise provided in the applicable agreement with the donor.
Rule 106.6.1

Exchange adjustments

Losses or gains on exchange arising from the receipt of voluntary contributions shall be recorded as a debit or credit to such contributions. All other exchange adjustments shall be recorded separately and under miscellaneous income to the appropriate regular or operational budget account.

Rule 106.6.2

Revenue-producing activities: Financial control

(a) Revenue-producing activities that are financed from an operational budget account shall be subject to the same financial controls as apply to activities financed from the regular budget appropriations and shall be administered in accordance with the Financial Regulations and the present Financial Rules;

(b) Miscellaneous income and refund of expenditures will also be governed by the Financial Regulations and the present Financial Rules (see rules 110.1.3 and 110.1.4).

Article VII

Custody of Funds

Regulation 7.1. The Director General shall designate the bank or banks in which the funds of the Organization shall be kept, bearing in mind the need to minimize the number and scale of foreign exchange transactions.

Rule 107.1.1

Bank accounts

(a) The designation of an official bank by the Director General shall cover all branches of that bank;

(b) The Director General or those officials authorized by him or her shall establish such official bank accounts as may be required for the transaction of UNIDO business and shall designate signatories to operate those accounts;

(c) A bank account that is no longer required for UNIDO’s operations shall be closed by the authorized officials;

(d) In accordance with UNIDO’s policy, banking services, including bank ratings, shall be reviewed at least annually by the Department of Finance to ascertain the financial standing of the banks.

Rule 107.1.2

The receipt of funds

(a) An official receipt shall be issued within five business days for all funds received;

(b) Only officials duly designated by the Director General shall be authorized to issue such receipts. In cases where officials other than those authorized to issue official receipts receive moneys intended for the Organization, they shall immediately transmit such moneys in full to the Treasurer or any other official authorized to issue an official receipt;
(c) Remittances shall be recorded in the accounts on the date they are received.

Rule 107.1.3

The deposit of funds

All funds received shall be deposited intact in an official bank account not later than the business day following the date they are received.

Rule 107.1.4

Cash advances

(a) Advances may be made to officials designated by the Director General. Cash advances shall be made only through UNIDO’s banking systems under the provisions stipulated in rule 107.1.8. The Director General shall define the amount and purposes of each advance, and the amount advanced shall not exceed the approved limits. In addition, the Director General or authorized officials may approve other cash advances as permitted by the Staff Rules and administrative instructions or on specific approval.

(b) Cash advances carried by hand may not exceed 2,500 euro, unless specifically approved by the Director, Department of Finance.

Rule 107.1.5

Remittances to imprest fund accounts and petty cash

(a) In the absence of a special authorization from the Director General, the remittances shall not exceed the amount required to bring the cash balance of the office concerned to the estimated cash requirements for the following two and a half months. Excess liquidity in the imprest account can be invested for a maximum of one month only with the same imprest bank in call or time deposit products. The imprest account is subject to monthly reporting, including interest income earned and replenishment of disbursements;

(b) Advance funds for petty cash shall be released only on the approval of the Department of Finance for specific purposes. Such advances may not exceed 800 euro at any given time. Replenishment of funds will be made only on submission of supporting documents for the previous advance.

Rule 107.1.6

The responsibility of holders of cash advances

Officials to whom cash advances are issued under the provisions of rules 107.1.4 and 107.1.5 above shall make use of such advances only for the purpose for which the advances were authorized, and shall be held personally responsible and financially liable for the proper usage, management and safekeeping of the cash so advanced. They shall render accounts, as required by the Director General that, unless otherwise provided, shall not be less frequent than once a month. They shall be in a position at all times to account for the advances. Cash or negotiable instruments shall be kept in safe custody.
Rule 107.1.7

The exchange of currencies and hedging

(a) Officials responsible for the operation of UNIDO bank accounts or for holding UNIDO cash or negotiable instruments are authorized to exchange one currency for another, to the extent necessary for the conduct of official business. Exchange of currency shall not be undertaken for speculative purposes;

(b) Hedging of currencies or other financial instruments shall be permitted only with the express approval of the Director General, subject to the provision of appropriate justifications. Hedging shall not be undertaken for speculative purposes.

Rule 107.1.8

Disbursements to be made by written bank instruction

(a) All disbursements shall be made by written bank instruction, except to the extent that the Director General authorizes cash disbursements;

(b) A disbursement shall be recorded in the accounts as of the date when the disbursement is made, that is, when the instruction is issued or cash is paid out;

(c) All written bank instructions shall be numbered sequentially. Written bank instructions shall include:

(i) Cheques;
(ii) Transfer orders;
(iii) Letters of credit;
(iv) Payment orders;

(d) All other electronically transmitted instructions should be duly authenticated with the pertinent confidential code. A hard copy of the instructions shall be retained.

Rule 107.1.9

Written instructions to be signed by two authorized signatories

(a) Written instructions shall be signed by two authorized officials included in the bank signatory panels designated by the Director General; however, the Director General may, when deeming that adequate safeguards are provided, authorize the signature of cheques by one signatory only or authorize the use of facsimile signatures;

(b) Other electronically transmitted instructions may be drafted and dispatched only by an authorized Treasury official, who shall ensure that the outgoing instruction is signed by two authorized signatories;

(c) In order to provide adequate internal controls, the authorized bank signatories shall not exercise approving functions on the same transactions, unless a division of duties is not practicable.
Rule 107.1.10

Acknowledgement of payments

Adequate acknowledgement of payment or evidence of receipt shall be obtained for all disbursements.

Rule 107.1.11

Reconciliation of bank accounts

Every month, unless the Director General authorizes an exception, officials having no actual part in the receipt or disbursement of the funds shall perform reconciliation of bank accounts.

Rule 107.1.12

Losses of cash or negotiable instruments

Any loss of cash or negotiable instruments must be reported at once to the Director General. No amount due to the Organization may be waived without the written authorization of the Director General (see also rule 109.4.1 on the writing-off of losses of cash or receivables).

Article VIII

Investment of Funds

Regulation 8.1. 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, within the operational budget, shall be subject to any directives of the appropriate authority in respect of each such fund or account and having regard to the particular requirements as to the liquidity of funds in each case.

Rule 108.1.1

Investments

(a) The Director General may make both short- and long-term investments, subject always to the provisions of the appropriate regulations, rules, terms or conditions relating to the respective funds and accounts. The authority contained in this rule to make investments shall include the authority to purchase, sell or exchange investment securities;

(b) The number of financial institutions to place investments and maximum limits for each institution shall be approved by the Director General on the recommendation of the Department of Finance, based on prevailing market conditions;

(c) Long-term investments are those made for a term of more than twelve months. Before making a long-term investment, the Director General shall receive and consider the written advice thereon of an Investment Committee;

(d) The Investment Committee shall be chaired by the Director, Department of Finance, and have as its members the Chiefs of the Accounts, Payments and Treasury and Budget Services Division; they shall meet as required;
To ensure competitiveness of investments, rate quotations from at least three authorized banks should be obtained.

**Rule 108.1.2**

*The custody of investments*

(a) All securities shall be deposited either in the custody of duly appointed bankers or in safe deposit vaults maintained by a recognized financial institution designated by the Director General, or in the UNIDO safes under the Treasurer’s direct control;

(b) The withdrawal of securities from the custody of bankers and access to such safe deposit vaults shall require the authorization and signature of two officials designated for this purpose by the Director General.

**Rule 108.1.3**

*Investment ledger*

Investments shall be registered in an investment ledger, which shall show the relevant details for each investment, including its face value, cost, date of maturity, place of deposit, proceeds of sale and income earned.

**Regulation 8.2.** The Director General shall include in the financial statements submitted to the Programme and Budget Committee and the Board a statement of the investments currently held.

**Regulation 8.3.** Income derived from investments shall be credited as provided in the rules relating to each fund or account.

**Article IX**

*Internal Control*

**Regulation 9.1.** The Director General shall:

(a) In accordance with regulation 12.1 establish detailed financial rules and procedures in order to ensure:

(i) Effective financial administration and the exercise of economy;

(ii) Effective custody of the 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 interest of the Organization, ensure that all payments are made on the basis of supporting vouchers and other documents which show that the 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 an internal financial control and internal audit, which shall provide for an effective current examination and/or review of financial transactions in order to ensure:
(i) The regularity of the receipt, custody and disposal of all funds and other financial resources of the Organization;

(ii) The conformity of obligations and expenditures with the appropriations or other financial provisions voted by the Conference, or with the purposes and rules relating to trust funds and special accounts;

(iii) The economical use of the resources of the Organization.

Rule 109.1.1

**Authority for expenditure**

No commitments, obligations or expenditures against any funds may be incurred without the written authorization of the Director General. The Director General may delegate such authority to other officials within the allotments or other limits approved by the Director General.

Rule 109.1.2

**Certifying officers**

(a) One or more officials shall be designated by the MD/CMO as certifying officer(s) and their alternates or as sub-delegated officers for each allotment on the recommendation of the concerned head of division. Certifying officer(s) shall be responsible for the specific allotment(s) assigned to them by the respective head of division;

(b) The responsibilities of certifying, alternate or sub-delegated officers shall be established by the MD/CMO. The authority granted and responsibility assigned to such officers is a personal one and cannot be delegated except as authorized by the MD/CMO. In the absence of the certifying officers, delegated alternates will act on their behalf.

Rule 109.1.3

**Certification and approval of obligations and expenditures**

(a) Every obligation or proposal for incurring expenditure shall meet both of the following requirements:

(i) Certification by a certifying officer before the expenditure is actually incurred; the MD/CMO shall have authority to certify obligations and expenditures under all accounts;

(ii) Subsequent recording of the obligation by an authorized official designated for that purpose by the MD/CMO, after examining the validity of the obligation;

(b) If conditions stipulated in rule 109.2.3, subparagraph (a), have not been followed, the recording of the obligation shall be conditional on the full justification provided by the certifying officer and cleared by the head of division. Such obligations will require the specific approval of the Director, Department of Finance, before recording in the accounts. Further, the responsibility and accountability in connection with entering into commitments on behalf of UNIDO without prior reserving of credits in the accounts will rest with the concerned official.

Rule 109.1.4
Approval of payments

(a) Only those officials designated by the Director General as approving officers may approve payments on behalf of the Organization. In addition, all authorizations, whether by electronic fund transfer or by letter, to effect payments at another duty station are to be issued and signed by the Director General or by those officials who have been duly designated by the Director General to do so;

(b) Payments shall be made only on the basis of duly certified supporting vouchers and other documents, which shall indicate that the goods or services have been received in accordance with the documents establishing the obligation or that the activities funded by the grant have been implemented and duly documented in accordance with the grant agreement. An approving officer must also verify that payment has not previously been made and that the supporting documents do not contain irregularities that indicate that the payment is not properly due; nor shall an approving officer approve a payment if any other information known to him or her would bar that payment. In this regard, for payments under 2,000 euro, for which credits do not need to be reserved in advance by the recording of an obligation under the provisions of rule 109.2.3, the supporting documentation indicating that a payment is due must be certified by a certifying officer designated under rule 109.1.2 before the payment may be approved;

(c) In addition to payments authorized under rule 109.5.8 on advance payments, and notwithstanding paragraph (b) above, the Director General may in the interest of the Organization authorize progress payments (see also rule 107.1.4 on cash advances).

Property management

Rule 109.1.5

Authority and responsibility

The MD/CMO is responsible for the management of the property of UNIDO, including all systems governing its receipt, recording, utilization, safekeeping, maintenance and disposal, including by sale, and shall designate the officials responsible for performing property management functions.

Rule 109.1.6

Property records

(a) Complete and accurate records shall be maintained of supplies, equipment and other property purchased, received, issued, transferred, sold or otherwise disposed of and remaining on hand. Such records shall be maintained both for Headquarters and for offices and projects away from Headquarters and shall show separately supplies, equipment and other property belonging to UNIDO and/or entrusted to the charge of UNIDO;

(b) The MD/CMO shall determine the articles for which records shall be maintained and shall establish the nature and extent of the records in compliance with the purpose of the present Financial Rules.

Rule 109.1.7
Receipt of supplies and equipment and supporting documents

All supplies, equipment or other property received by the Organization shall immediately be inspected to ensure that their condition is satisfactory and in accordance with the terms of the related purchase contract. A receiving report shall be issued for all items received and they shall be entered immediately into the appropriate property records. All transactions related to supplies, equipment or other property should be supported by appropriate vouchers and evidence of receipt.

Rule 109.1.8

Property issued to individuals

The issue to individuals of equipment or other property for their official use (for example, notebook computers, tools and cameras) shall be recorded in the property records as “issued on loan”. A receipt from the individual concerned shall support the records and attest to personal responsibility for the loaned property. Such receipts shall be renewed every year, until the safe return of property. In case the individual is transferred to another organizational unit or is separated from service, the property shall be returned to stock and the loan record cancelled.

Rule 109.1.9

Physical inventories

Physical inventories shall be taken of supplies, equipment or other property of UNIDO or entrusted to the charge of UNIDO at least once during a fiscal period to ensure adequate control over such property. The responsibility for ensuring the conduct of such physical inventories and the selection of items to be inventoried shall be that of the officials authorized by the MD/CMO under rule 109.5.2, subparagraph (a).

Rule 109.1.10

Property Survey Board

(a) A Property Survey Board shall be established. The composition of the Board and its terms of reference shall be determined by the Director General;

(b) Shortages and surpluses of and damage to supplies, equipment or other property that come to light as the result of stock-taking, an inventory check or other means shall be notified immediately by the responsible official to the MD/CMO through the Secretary of the Property Survey Board;

(c) Property that becomes surplus to operating requirements or unserviceable through obsolescence or normal wear and tear shall be reported by the responsible official to the Secretary of the Property Survey Board;

(d) The Property Survey Board shall examine and report upon:

(i) The cause of any shortages and surpluses of and damage to supplies, equipment or other property and the action to be taken thereon;

(ii) The disposal of supplies, equipment or other property that has become surplus to the operating requirements of the Organization or unserviceable through obsolescence or normal wear and tear;

(e) The recommendations of the Property Survey Board shall, in each instance, determine the level of responsibility, if any, attributable to any official of the Organization for shortages, surpluses or damages;
(f) The recommendations of the Property Survey Board shall be submitted to the MD/CMO. Recommendations for recovery from staff members or others shall be transmitted by the MD/CMO to the Director General for approval. Other recommendations may be approved by the MD/CMO. Should the MD/CMO not agree with a recommendation of the Property Survey Board, any dissenting views of the MD/CMO shall be recorded in writing.

Rule 109.1.11
Sale of property

The sale of supplies, equipment or other property declared to be surplus or unserviceable following a recommendation by the Property Survey Board shall be made after competitive bidding or after an assessment of competitive proposals or quotations, providing that resort to competitive bidding is not necessary when in the opinion of the Property Survey Board:

(a) The estimated sales value is less than 2,500 euro;

(b) The best interests of the Organization will be served by the sale at fixed unit prices;

(c) The exchange of property in partial or full payment for replacement equipment or supplies will be in the interests of the Organization (see also rule 109.1.13 on accounting for proceeds from sales);

(d) The destruction of the surplus or unserviceable material will be more economical or is required by law or by the nature of the property;

(e) The interests of UNIDO will be served by disposal by gift or at nominal prices to an intergovernmental organization, a Government or government agency or some other non-profit organization.

Rule 109.1.12
Sales on a cash basis

(a) Except as provided in rule 109.1.11, subparagraph (c), sales of UNIDO property shall be on the basis of cash payments on or before delivery;

(b) Exceptions to this rule may be authorized in writing by the MD/CMO when it is in the interests of the Organization. A log shall be maintained of such exceptions.

Rule 109.1.13
Accounting for proceeds from sales

The proceeds from the sale of property shall be credited as miscellaneous income to the regular budget or to the appropriate operational budget account (see rule 110.1.3), except:

(i) Where the Property Survey Board has, under rule 109.1.11, subparagraph (c), recommended the application of those proceeds directly against the purchase price of replacement equipment or supplies (any balance shall be credited as miscellaneous income to the regular budget or to the appropriate operational budget account);

(ii) Where normal practice is to secure and use certain material or equipment in connection with a contract and to salvage and sell such material or equipment at a later stage, the MD/CMO may authorize the crediting of those
proceeds to the account or accounts from which such material or equipment was procured;

(iii) The trade-in of property is not considered to be a sale and the allowance shall be applied against the cost of the replacement property.

**Rule 109.1.14**

*Publications Board*

A Publications Board shall be established. The Director General shall determine the terms of reference and composition of the Board.

**Rule 109.1.15**

*Internal control and oversight function*

(a) The office responsible for internal oversight shall carry out audits and reviews of all operations of the Organization in order to provide an independent and objective assessment to the Director General and other managers for the purpose of optimizing the use of resources and providing inputs for improving controls. Audits shall encompass the following elements:

(i) Compliance: to review financial and other transactions to determine whether they are in compliance with the resolutions and decisions of the policymaking organs of UNIDO, policies, regulations, rules, procedures and administrative instructions in place in the Organization;

(ii) Economy, efficiency and effectiveness: to appraise the operational efficiency, economy and effectiveness with which financial, physical and human resources are acquired and used by the Organization;

(iii) Reliability and integrity of management control mechanisms: to appraise whether risks are appropriately identified and managed, and whether control mechanisms are in place and properly functioning;

(b) The office shall also be responsible for conducting fact-finding in case of alleged fraud, misconduct and mismanagement with a view to safeguarding the Organization’s interests and ensuring accountability;

(c) Staff members shall cooperate fully with designated staff of the office and shall provide unrestricted access to all information, records (paper and electronic format), assets, premises and property;

(d) The office for internal oversight shall conduct its work in conformity with professional auditing and investigative standards, such as the *Standards for the Professional Practice of Internal Auditing and Code of Ethics* promulgated by the Institute of Internal Auditors, as endorsed by the Representatives of Internal Audit Services of United Nations Organizations and Multilateral Financial Institutions;

(e) The office of internal oversight shall be governed by its Charter, as approved by the Director General.

Regulation 9.2. Obligations for the current biennium or commitments for current and future bienniums shall be incurred only after allotments or other
appropriate authorizations have been made in writing under the authority of the Director General.

Rule 109.2.1

Appropriations made available by authorization from the MD/CMO

(a) The MD/CMO is responsible to the Director General for ensuring that the expenditures of the Organization remain within the appropriations as voted by the Conference (see also rule 109.1.1 on authority for expenditure);

(b) Such authorization may take the form of one or more of the following:

(i) An allotment of funds or other authorization to commit funds covering a specific period and/or a specific purpose;

(ii) An authorization for the employment of staff or of consultants.

Rule 109.2.2

Commitments against the appropriations of current and future fiscal periods

(a) The MD/CMO may approve commitments against current and future fiscal periods when they are necessary in the interests of the Organization, provided that such commitments are either:

(i) For activities that have been approved by the Conference and that are expected to continue beyond the end of the current fiscal period; or

(ii) Authorized by specific decisions of the Conference.

The granting of approval to enter into commitments for which no appropriations have been made shall be subject to such limits and approvals as the Conference may prescribe. Such commitments for future fiscal periods shall normally be restricted to administrative requirements of a continuing nature and to other contracts or legal obligations where longer lead times are required to ensure timely delivery;

(b) In instances where legal obligations exist at the end of a fiscal period, which result from authority to enter into commitments granted under subparagraph (a) above, the MD/CMO shall charge commitments to a deferred charge account. The deferred charge shall, in turn, constitute a first charge against the relevant appropriations as these are voted by the Conference.

Rule 109.2.3

Reservation of credits to meet expenditures

(a) Apart from the employment of staff under an authorized staffing table, and consequential recurring commitments under the Staff Regulations and Staff Rules, no contract, agreement or undertaking of any nature for an amount exceeding 2,000 euro shall be entered into until credits have been reserved in the accounts, through the recording of an obligation, to meet any expenditures that may accrue in the fiscal period. Additionally, unless the amount of the change in the credits reserved exceeds 2,000 euro, no adjustment need be made in the amount previously obligated. In cases where the change exceeds 2,000 euro, the payment is to be made in accordance with a duly certified invoice when the goods have been delivered or the services rendered;

(b) When an obligation is made in a currency other than euro, it shall be recorded in the accounts in the euro equivalent at the official rate of exchange established under rule 110.5.2. If, at the time of payment, fluctuations in the
currency exchange rates have resulted in a change in the euro equivalent from the original amount obligated, the MD/CMO shall authorize the difference to be charged or credited to the appropriate account. In such cases, an amendment to the original obligation document is not required;

(c) All increases in obligations or proposals for the incurring of expenditures, including increases due to fluctuations in currency exchange rates, shall be subject to the same rules that apply to the incurring of original obligations;

(d) When any obligation previously recorded in the accounts is for any reason decreased (other than by payment) or cancelled, the MD/CMO shall be informed immediately by the appropriate certifying officer, in writing, and the accounts shall be adjusted.

Rule 109.2.4

Review of outstanding obligations

The certifying officers or their alternates shall review outstanding obligations periodically. Obligations that in the opinion of certifying officers are no longer valid shall be cancelled forthwith. Valid obligations will be re-obligated against current appropriations (see also rule 104.1.2 on obligations).

Rule 109.2.5

Employment of staff or consultants

Staff or consultants may be engaged only with the written authority of the Director General, the Director of the Department of Human Resources Management or the other officials to whom such authority has been delegated by the Director General, and within the allotments or other limits approved by the Director General. For this purpose, the MD/CMO shall maintain a staffing table showing the current occupancy of all established posts.

Rule 109.2.6

The Director of the Department of Human Resources Management, or the other officials to whom such authority has been delegated, shall be responsible for ensuring that the terms of employment of staff or consultants conform to the terms of the Staff Regulations and Staff Rules.

Ex gratia payments

Regulation 9.3. The Director General may make such ex gratia payments as he deems to be necessary in the interest of the Organization. A statement of such payments shall be submitted with the annual financial accounts.

Rule 109.3.1

(a) Ex gratia payments may be made in cases where, although in the opinion of the Legal Adviser there is no legal liability on the part of the Organization, the moral obligation is such as to make payment desirable in the interest of the Organization;

(b) The personal approval of the Director General is required for ex gratia payments when either:

(i) The amount exceeds 5,000 euro or;
(ii) The recipient is a staff member of UNIDO receiving a salary equivalent to, or higher than that of, the lowest level and step of the Professional category;

(c) In other cases, the Director General may delegate authority for the approval of ex gratia payments.

Writing-off of losses or deficiencies

Regulation 9.4. The Director General may, after full investigation, authorize the writing-off of losses of cash, supplies, equipment and other assets other than arrears of assessed contributions, provided that if such write-off involves a substantial amount as determined in the financial rules, the write-off shall require prior approval of the Board upon recommendation of the Programme and Budget Committee. A statement of all such amounts written off during each financial year shall be submitted to the External Auditor with the annual financial accounts.

Rule 109.4.1

Writing-off of losses of cash or receivables

(a) Any loss of cash or negotiable instruments must be reported at once to the Director General (see rule 107.1.12);

(b) The Director General may, after full investigation by the office responsible for internal oversight, authorize the writing-off of losses of cash, and the book value of accounts receivable and notes receivable deemed to be irrecoverable. The writing-off of arrears of assessed contributions may not be authorized, and the writing-off of a loss exceeding the amount of 15,000 euro shall require the prior approval of the Board upon the recommendation of the Programme and Budget Committee;

(c) The investigation shall, in each case, determine the responsibility, if any, attached to any staff member for the loss. Such staff member may be required by the Director General to reimburse the loss either in part or in full.

Rule 109.4.2

Writing-off of losses of property

(a) After a full investigation of each case and a report with recommendations have been made by the Property Survey Board, the MD/CMO may authorize the writing-off of losses of UNIDO property or such other adjustment of the records that will bring the status shown by the records into conformity with the actual quantities. The writing-off of a loss exceeding the amount of 15,000 euro shall require the prior approval of the Board upon the recommendation of the Programme and Budget Committee;

(b) The final determination of all recoveries to be made against staff members or others as a result of losses of UNIDO property shall be made by the Director General.

Contracts and purchases

Regulation 9.5. The Director General shall as a part of the financial rules establish rules for the procurement of equipment, supplies and other
requirements, including rules governing invitation of tenders and the calling of proposals.

Rule 109.5.1  
Requisitions: delegation of authority

Procurement of supplies, equipment and other property shall be made only against requisitions signed by the certifying officers or, in their absence, by the alternate certifying officers. Signing of a requisition shall be followed by certification of an obligation as specified in rules 104.1.1 and 109.1.3.

Rule 109.5.2  
Procurement authority

(a) Unless otherwise directed by the Director General, the MD/CMO is accountable to the Director General for all procurement functions of UNIDO. The MD/CMO may further delegate procurement authority to staff at Headquarters and other locations, as may be appropriate;

(b) Acquisition, rental or sale of services, works, supplies, equipment or other requirements shall be undertaken only by way of a procurement contract. Acquisition, renting or selling activities include, in addition to the entering into of procurement contracts, the invitation, on the basis of detailed specifications, of offers and negotiation with potential suppliers, contractors or purchasers, as well as rejection of the submitted offers, when the interests of the Organization so require;

(c) In ensuring that procurement functions are carried out in accordance with relevant financial regulations and rules, the MD/CMO shall:

(i) Establish the necessary controls, including those for delegations of authority, and shall issue administrative instructions and manuals to ensure and protect the fairness, integrity and transparency of the procurement process and the interest of UNIDO;

(ii) Establish a procurement committee to render written advice to the MD/CMO on procurement actions leading to the award or amendment of procurement contracts, which, for purposes of these Regulations and Rules, includes agreements or other written instruments such as purchase orders and contracts that involve income to UNIDO. For decentralized procurement activities in the field, the MD/CMO may establish ad hoc procurement committees. The MD/CMO shall establish the composition and the terms of reference of such committees, which shall include the types and monetary values of proposed procurement actions subject to review;

(iii) Ensure that when the advice of the procurement committee established under the preceding provisions of this rule is required, no procurement contract may be entered into before such advice is acted upon by the MD/CMO or authorized officials. In cases where the MD/CMO or authorized officials decide not to accept the advice of such committee, he or she shall record the reasons for that decision.

Rule 109.5.3  
Procurement modalities

Procurement modalities shall include:
(a) **Entering into procurement by contract.** No contract shall be entered into on behalf of UNIDO except by the MD/CMO or officials specifically authorized for the purpose by the MD/CMO in accordance with rule 109.5.2, subparagraph (a);

(b) **Cooperating with other United Nations organizations.** The MD/CMO may cooperate with other organizations of the United Nations system to meet the procurement requirements of UNIDO, provided that the regulations and rules of those organizations are compatible with those of UNIDO. The MD/CMO may, as appropriate, enter into agreements for such purposes. Such cooperation may include carrying out common procurement actions together or UNIDO may enter into a contract relying on a procurement decision of another organization or may request another organization to carry out procurement activities on its behalf;

(c) **Cooperating with Governments and other organizations.** The MD/CMO may cooperate with a Government, non-governmental organization or other public international organization in respect of procurement activities and enter into agreements for such purposes.

**Rule 109.5.4**

**Reliance on competition**

(a) Except as provided in rule 109.5.5, procurement contracts for the acquisition, rental or sale of services, works, supplies, equipment or other requirements shall be awarded on a competitive basis. To that end the competitive process shall, as may be necessary, include procurement planning; identification of potential suppliers and contractors; consideration of prudent commercial practices; formal methods of solicitation, such as requests for proposals and invitation to bid, or informal methods of solicitation as requests for quotations. The MD/CMO shall issue administrative instructions concerning the types of procurement activities and monetary values for which such methods of solicitation are to be used;

(b) Solicitation of proposals and bids shall normally be made on a wide international basis, taking into account the existence of possible sources of services and supplies for procurement. However, the basis for procurement may be limited to one or more countries provided such limitation is:

(i) A mandatory condition attached to funds used to finance a particular activity and made available by an international development organization, including financing by a grant or a loan to the recipient Government; or

(ii) A condition stipulated in the agreement or arrangement with the donor of a voluntary contribution to the Organization of funds used to finance a particular activity, and provided the limitation has been accepted by the recipient Government or by the recipient non-governmental legal entity in the country concerned. The acceptance shall normally be expressed by signature of an appropriate document for the particular activity, which shall state exactly any such geographical limitation; or

(iii) The MD/CMO determines that the required goods and services, due to their nature and scope, are unlikely to attract international competition and international suppliers and/or contractors are not expected to be interested. In such cases a written record shall be made providing appropriate reasons for the geographical limitation of the competition.

**Rule 109.5.5**

**Exceptions to competition**
(a) Contracts may be awarded without inviting competitive bids or proposals when:

(i) The value of the procurement is below the monetary amount established by the MD/CMO for formal methods of solicitation;

(ii) There is sufficient evidence that no competitive market exists for the requirement, such as where a monopoly exists, where prices are fixed by legislation or government regulation, or where the requirement involves a proprietary product or service;

(iii) A standardization of supplies or equipment has been approved on the advice of the procurement committee, which renders competition impracticable;

(iv) The proposed contract relates to obtaining services that cannot be evaluated on the basis of objective criteria;

(v) The proposed contract is the result of cooperation with the other organizations of the United Nations system;

(vi) There is a genuine and documented exigency of the activity concerned that does not permit the time required for the issuance of invitations to bid or calls for proposals;

(vii) The proposed contract is for purchase or rental of real estate;

(viii) The MD/CMO specifically determines through a due process, established in pursuance of provisions of subparagraph (c)(i) of rule 109.5.2, that a formal solicitation shall not be applied. In such cases a written record shall be made providing appropriate reasons for such determination;

(b) When a decision is made pursuant to the exceptions above, the MD/CMO or other authorized official may then award a procurement contract, either on the basis of an informal method of solicitation, or on the basis of a directly negotiated contract, to a qualified vendor whose offer substantially conforms to the requirements at an acceptable price.

Rule 109.5.6

Award of procurement contracts

(a) The award of a procurement contract shall be made after due consideration has been given to the best value for money principles and the interests of UNIDO in accordance with the following:

(i) When a formal invitation to bid has been issued, the procurement contract shall be awarded to the qualified bidder whose bid conforms to requirements set forth in the solicitation documentation and offers the lowest cost to UNIDO;

(ii) When a formal request for proposals has been issued, the procurement contract shall be awarded to the qualified proposer whose technical proposal meets the predefined minimum qualifying score and whose price proposal is the lowest;

(b) Where the interests of the Organization so require, all bids or proposals may be rejected by the MD/CMO or such other official authorized under rule 109.5.2, who shall record in writing the reasons for the rejection of the bids or proposals and determine whether new competitive bids or proposals should be invited or a negotiated contract should be entered into.
Rule 109.5.7

Purchases to be made in writing

(a) Written procurement contracts shall be used to formalize every procurement for a monetary value over specific thresholds established by the MD/CMO;

(b) Written contracts and purchase orders shall, as appropriate, specify in detail:

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

(ii) The quantity being procured;

(iii) The contract or unit price, the conditions of delivery and the terms of payment;

(iv) The period covered;

(v) Conditions to be fulfilled, including the UNIDO general conditions of contract/purchase order and implications for non-delivery; and

(vi) Name and address of supplier/contractor;

(c) The requirement for written procurement contracts and purchase orders shall not be interpreted to restrict the use of any electronic means of data interchange. Before using any electronic means of data interchange, the MD/CMO shall ensure that the electronic data interchange system is capable of ensuring authentication, integrity and confidentiality of information.

Rule 109.5.8

Advance payments

When normal commercial practice or the best interest of the Organization so requires, contracts or purchase orders may be made on behalf of the Organization that provide for a payment or payments on account in advance of the delivery of goods or the performance of contractual services. Whenever an advance payment is agreed to, the reasons therefor shall be recorded and to the extent possible a warranty from the Government or a bank guarantee obtained (see rule 107.1.4 on cash advances and rule 109.1.4, subparagraph (c), on progress payments).

Rule 109.5.9

Written findings

Each determination or decision required from an authorized official by the provisions of the present Financial Rules shall be supported by the written findings of such official in the form of a statement of explanation. Such a statement shall be placed in the appropriate case file maintained by the responsible office.

Rule 109.5.10

Grants and implementing partners

(a) Grants may be awarded to UNIDO grant beneficiaries and implementing partners that UNIDO has entrusted with responsibilities to implement technical cooperation activities. The purposes, terms and conditions of such grants shall be specified in grant agreements;
(b) The awards and the terms and conditions of grant agreements shall be in accordance with the financial regulations and rules. No grant agreement may be concluded unless adequate funds have been allocated or reserved, and the corresponding obligation has been certified and approved in conformity with the financial rules (in particular rules 104.1.1 and 109.1.3);

(c) Unless otherwise directed by the Director General, the MD/CMO shall have overall authority and responsibility to award and administer all grants, including the selection procedures for grant beneficiaries or implementing partners, as well as the amount of and all conditions attached to the grants;

(d) The MD/CMO may further delegate authority under these rules to staff of the Organization and promulgate administrative instructions as may be necessary to ensure due process, accountability, appropriate monitoring and control over grants.

Article X
The Accounts

Accounts and schedules

General Fund

Regulation 10.1

(a) There shall be a General Fund for the purpose of accounting for those expenditures of the Organization which are to be financed from the regular budget;

(b) To the General Fund shall be credited:

(i) The contributions to the regular budget paid by Members pursuant to financial regulation 5.1;

(ii) Any advances made from the Working Capital Fund to finance expenditures of the regular budget;

(iii) Miscellaneous income to the regular budget, including income from investment of the Working Capital Fund and the General Fund, proceeds from the provision or rental of goods or services or adjustments arising subsequent to the closing of an operational budget account, such as a trust fund, special account, project, etc.

Rule 110.1.1

Provision of goods and services to others

Goods and services may be provided to Governments, organizations of the United Nations system, other international, intergovernmental or non-governmental organizations or to activities financed from trust funds or special accounts on a reimbursable, reciprocal or other basis, as may be approved by the Director General.
Rule 110.1.2

Accounting for goods and services provided to others

(a) Where the supply of such goods and services is of a regular and continuing nature, except where reciprocal arrangements have been made with the approval of the Director General, the regular and operational budgets, as appropriate, of the Organization shall include provision both for the supply of such goods and services and for any revenue therefrom. In the case of the regular budget, the revenue shall be credited to miscellaneous income;

(b) In the absence of budgetary provision, the expenditure shall, with the agreement of the Director General, be charged against the deposit that shall have been required from the party concerned, provided that, in special circumstances, in particular in the case of Governments or of organizations of the United Nations system, the Director General may authorize the expenditure to be charged initially to a deferred charge account, pending recovery from the party concerned.

Rule 110.1.3

Miscellaneous income

(a) Proceeds from the rental of property or from the provision of services, including the services of staff members on loan, shall be credited as miscellaneous income to the appropriate regular budget or operational budget account;

(b) Proceeds from the sale of project equipment shall be credited to the accounts of that project as a reduction of expenditure, provided that such accounts are still open. If they are closed, the proceeds shall be credited as provided in rule 110.1.4, subparagraph (b).

Rule 110.1.4

Refunds of expenditures

(a) Refunds of expenditures that have been charged in the same fiscal period against the budgetary accounts shall be credited against the same accounts, but refunds of expenditures of prior fiscal periods shall be credited to miscellaneous income in the regular or operational budget concerned;

(b) Adjustments that arise subsequent to the closing of an operational budget account (for example, the Fund, a trust fund, a special account or project) shall be classed as miscellaneous income and charged or credited to the miscellaneous income of the appropriate account that, in the case of the Fund, shall be the account of the Fund.

Regular budget accounts

Regulation 10.2

(a) The Director General shall establish such accounts and maintain such accounting records as are necessary, in accordance with the accounting standards framework applicable to the United Nations system organizations;

(b) The Director General shall prepare and submit financial accounts for each financial year, including:

(i) A statement of financial position;
(ii) A statement of financial performance;
(iii) A statement of changes in net assets/equity;
(iv) A cash flow statement;
(v) A comparison of budget and actual amounts on the basis of the budget; and
(vi) Notes, comprising a summary of significant accounting policies and other explanatory notes;
(c) For the regular budget, the Director General also shall prepare and submit:
   (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 Conference;
   (v) The amounts charged against those appropriations and/or other credits.

Rule 110.2.1

Principal accounts

The principal accounts shall consist of:

(a) Budgetary accounts kept for financial control of an approved budget, showing:
   (i) Appropriations;
   (ii) Allotments made;
   (iii) Expenditures (including disbursements and unliquidated obligations);
   (iv) Income;
(b) General accounts, for all assets and liabilities of the General Fund;
(c) Accounts for the Working Capital Fund.

Rule 110.2.2

Budgetary charges

(a) A budget (allotment) account shall be charged with actual disbursements and obligations entered into. On their fulfilment, obligations shall be liquidated and converted to actual disbursements;

(b) At the end of the first calendar year of the fiscal period, any uncommitted balance of appropriations shall be shown in the accounts in accordance with regulation 10.2;

(c) At the end of the financial period, the current unliquidated obligations, as well as those required to be reviewed periodically by certifying officers under rule 109.2.4 for the previous financial period, shall be reviewed by the appropriate
certifying officer, in consultation with the head of division, and either cancelled or re-obligated in the following fiscal period in accordance with regulation 4.2.

**Rule 110.2.3**

**Preparation of financial statements**

(a) The financial statements for the first calendar year of the fiscal period shall be prepared by the Director General as at 31 December of that year and shall be submitted to the External Auditor not later than 31 March following the end of that calendar year. The final financial statements for the fiscal period shall be prepared by the Director General and shall be submitted to the External Auditor not later than 31 March following the end of that fiscal period and shall include:

(i) A statement of income and expenditure and changes in reserves and fund balances of the General Fund, the IDF, trust funds, special and reserve accounts and other fund sources;

(ii) A statement of assets, liabilities, reserves and fund balance of the General Fund, the IDF, trust funds, special and reserve accounts and other fund sources;

(iii) A consolidated statement of cash flow for all sources of funds;

(iv) A statement of budget appropriations, disbursements, obligations and unencumbered balances of allotments and appropriations by major programme;

(v) Supporting schedules, which shall include:
   a. The status of assessed contributions paid and outstanding to the regular budget by Member States;
   b. The advances to the Working Capital Fund;
   c. The status of appropriations by major object of expenditure;
   d. Such other schedules as may be required.

Copies of all such financial statements shall be transmitted to the Board through the Programme and Budget Committee;

(b) Financial statements shall also be prepared at such other intervals as may be prescribed by the Director General.

**Operational budget accounts**

Regulation 10.3. The Director General shall establish such accounts and maintain such accounting records as are necessary for the purpose of accounting for the income and expenditures of the operational budget, including the Industrial Development Fund and any trust fund, reserve or special account, during each financial year.

**Rule 110.3.1**

The project accounts for the IDF, trust funds, special and reserve accounts and other fund sources shall show:

(a) Source of funds;

(b) Project number;
(c) Project allocations;
(d) Expenditures (including disbursements and unliquidated obligations).

Regulation 10.4. Appropriate separate accounts shall be established and maintained for each trust fund, reserve and special account.

Currency of accounts

Regulation 10.5. The accounts of the Organization shall be presented in euros. Accounts and accounting records may, however, be kept in such currency or currencies, as the Director General may deem necessary.

Rule 110.5.1

Currency of accounts

When the accounts and accounting records are kept in currencies other than euro, such accounts shall be recorded in both that currency and the equivalent in euro, converted at the official rate of exchange established under rule 110.5.2.

Rule 110.5.2

Exchange of currencies

(a) The official rates of exchange between the euro and other currencies, which shall be used for the recording of all UNIDO transactions, shall be derived from the United Nations operational rate of exchange at the date of transaction. In cases where such a rate cannot be established, the Director General shall determine the methodology to be applied to arrive at an appropriate rate;

(i) Where there is a conversion of euro into another (second) currency (or vice versa), the actual amounts obtained shall be taken into account; any difference between that amount and the amount that would have been obtained at the rate of exchange under subparagraph (a) above shall be accounted for as a loss or gain on exchange;

(ii) Where a third currency is involved, the actual amount in the third currency obtained by the conversion of the second currency shall be taken into account at the rate of exchange referred to in subparagraph (a) above and any difference shall be accounted for as a loss or gain on exchange. Where an exchange rate for the third currency has not been established, it shall be calculated by applying the cross-rate with the second currency;

(b) On closing of the accounts for the fiscal period and following the revaluation of assets and liabilities at period end United Nations operational rate of exchange, the gains or losses shall be treated in accordance with the financial reporting framework adopted by UNIDO.

Interim financial report
Regulation 10.6. At the beginning of the second financial year of each biennium, the Director General shall submit to the Programme and Budget Committee a financial report on significant financial developments that have affected the Organization during the first financial year of the biennium concerned.

Submission of accounts

Regulation 10.7. The final accounts for the biennium shall be submitted by the Director General to the External Auditor not later than 31 March following the end of the biennium to which they relate. Annual accounts for the first financial year of each biennium shall be submitted by the Director General to the External Auditor not later than 31 March following the end of the financial year concerned.

Rule 110.7.1

Responsibility for maintaining the accounts

The Director General shall prescribe and maintain the financial records and shall review and approve all financial systems and the major financial procedures of the Organization, including those in respect of offices away from Headquarters. The Director General shall designate the financial officers responsible for performing significant financial duties.

Rule 110.7.2

Approval of financial statements

The Director General shall approve that, to the best of his or her knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the financial statements and supporting schedules.

Rule 110.7.3

Accrual basis of accounting

Financial transactions shall be recorded in the accounts on an accrual basis, except as may be otherwise required by the terms of any trust fund or special account or as authorized by the Director General.

Rule 110.7.4

Provision for delays in collection of contributions

In each fiscal period, a full provision for outstanding assessed contributions for the previous fiscal period shall be made in the financial statements.

Rule 110.7.5

Other statements

The External Auditor shall be provided with:

(a) A summary statement of supplies, equipment and other property for which property records are kept;

(b) Details of losses of cash, inventory and other assets that have been written off;
(c) Such other statements as the External Auditor may require.

Rule 110.7.6

Retention and destruction of records

The accounting and other financial and property records and all supporting documents shall be retained for a period of six years or such other periods as determined by the Department of Finance and agreed with the External Auditor. On the expiry of the retention periods, the destruction of records and documents shall be carried out on the approval of the Department of Finance.

Article XI
External Audit

Appointment of an External Auditor

Regulation 11.1. An External Auditor, who shall be the Auditor-General (or an officer exercising an equivalent function) of a Member State, shall be appointed in the manner and for the period decided by the Conference.

Regulation 11.2. If the External Auditor ceases to hold office as Auditor-General (or equivalent function) in his own country, his tenure of office as External Auditor shall thereupon be terminated and the Member State to which he belongs will designate as External Auditor his successor in the office of Auditor-General. The External Auditor may not otherwise be removed during his tenure of office, except by the Conference.

Scope of audit

Regulation 11.3. The audit shall be conducted in conformity with generally accepted common auditing standards and, subject to any special direction of the Conference, in accordance with the additional terms of reference set out in the annex to the present Regulations.

Regulation 11.4. The External Auditor may make observations with respect to the economy, efficiency and effectiveness of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Organization.

Regulation 11.5. The External Auditor shall be completely independent and solely responsible for the conduct of the audit.

Regulation 11.6. The Conference, the Board or the Programme and Budget Committee may request the External Auditor to perform certain specific examinations and to issue separate reports on the results.
Facilities

Regulation 11.7. The Director General shall provide the External Auditor with the facilities required for the performance of the audit.

Regulation 11.8. For the purpose of making a local or special examination or of effecting economies of audit costs, the External Auditor may engage the services of any national Auditor-General (or officer exercising an equivalent function) or commercial public auditor of known repute or any other person or firm who, in the opinion of the External Auditor, is technically qualified.

Reporting

Regulation 11.9. The External Auditor shall issue a report on the audit of the financial statements and relevant schedules, which shall include such information as he deems necessary with regard to matters referred to in financial regulation 11.4 and in the additional terms of reference.

Regulation 11.10. The External Auditor’s reports, together with the audited financial statements, shall be completed not later than 20 April and shall be transmitted through the Programme and Budget Committee to the Board in accordance with directions given by the Conference. The Programme and Budget Committee shall examine the financial statements and the audit reports and submit recommendations to the Board, which shall forward them to the Conference with such comments, as it deems appropriate.

Article XII
General Provisions

Financial rules

Regulation 12.1. Subject to the present Regulations, the Director General shall issue financial rules, which shall govern the administration of all financial activities and transactions of the Organization. The Director General may in the financial rules delegate authority to officials of the Organization. The Director General shall report to the Board through the Programme and Budget Committee on the issuance of financial rules.

Rule 112.1.1

Amplification of the present Rules

The present Rules may be amplified by administrative instructions issued by the MD/CMO in consultation with the Director General.

Entry into force and amendments

Regulation 12.2. The present Regulations shall become effective as of the date of their approval by the Conference, unless otherwise specified by the Conference. They may be amended only by the Conference.
Rule 112.2.1

*Effective date of the present Rules*

The present Rules shall be effective from 1 December 2021 and shall supersede all other provisions in force before that date and contrary to the present Rules. If a consequential change in the present Rules is required to be made, however, in order to conform to a change made by the Conference in the Financial Regulations, the effective date of such change shall be the effective date of the revision of the applicable Regulations.

Rule 112.2.2

*Amendment of the present Rules*

The Director General in a manner consistent with the Financial Regulations may amend or suspend the present Rules.
Annex to the Financial Regulations

Additional terms of reference governing the audit of the United Nations Industrial Development Organization

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 the 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 privileged and which the Director 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 may draw the attention of the Conference or the Board to any denial of 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 Director 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 communicated immediately 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 management of the United Nations Industrial Development Organization 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:
   - 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 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:
   - Information necessary to the correct interpretation of the accounts;
   - Any amounts which ought to have been received, but which have not been brought to account;
   - Any amounts for which a legal or contingent obligation exists and which have not been recorded or reflected in the financial statements;
   - Expenditures not properly substantiated;
   - Whether proper books of accounts have been kept where in the presentation of statements there are deviations of 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 Conference or the Board, such as:
   - Cases of fraud or presumptive fraud;
   - Wasteful or improper expenditure of the Organization’s money or other assets (notwithstanding that the accounting for the transaction may be correct);
   - Expenditure likely to commit the Organization to further outlay on a large scale;
(iv) Any defect in the general system or detailed regulations governing the control of receipts and disbursements or of supplies and equipment;

(v) Expenditure not in accordance with the intention of the 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 stock-taking and examination of the records;

(e) If appropriate, transactions accounted for in a previous period concerning which further information has been obtained or transactions in a later period concerning which it seems desirable that the Conference or the Board 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 Conference or to the Board 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 the 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 that, in his opinion, is insignificant in all respects.