

## Board of the Centre

77th Session, Turin, 30-31 October 2014

CC 77/6/2

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**FOR DECISION**

### SIXTH ITEM ON THE AGENDA

## Amendments to the Financial Regulations and Financial Rules

### Background

1. At its 75th Session (October 2013), the Board discussed a paper on “The evolving role of the Centre and the ILO reform agenda.”<sup>1</sup> The paper proposed that the Centre align its programme and budget cycle to that of the ILO biennium cycle in order to facilitate better joint-planning and programming with the ILO, as well as providing more predictability in relation to resources. Currently, the Centre operates on an annual cycle in accordance with its Financial Regulations.<sup>2</sup> Furthermore, as the Centre is now classified for the purposes of IPSAS as a “controlled entity” of the ILO, it would be appropriate to align the Centre and the ILO budget cycles. Aligning with the ILO programme and budget cycle should also contribute to a reduction of transaction costs and simplification of procedures between the Centre and the ILO.
2. During the discussion of the paper, the proposal to align the Centre with the ILO programme and budget biennium cycle was broadly supported by the Board. In the light of the guidance provided by the Board, the management has reviewed, in consultation with the ILO, the Financial Regulations and Financial Rules of the Centre.
3. Amendments are required to both the Financial Regulations and the Financial Rules to enable the Centre to move to a biennium budget cycle. Appendix 1 contains the proposed amendments to the Financial Regulations. Appendix 2 contains the consequential amendments to the Financial Rules.<sup>3</sup> Adoption of these amendments will enable the Centre to move to a biennium programme and budget for the period 2016-17.

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<sup>1</sup> CC 75/3.

<sup>2</sup> Article 4, Financial Regulations.

<sup>3</sup> Appendices 1 and 2 contain the text of the articles of the Financial Regulations and the Financial Rules to be amended. The full text of the Financial Regulations and Rules, including the proposed amendments, is available at:

<http://www.itcilo.org/en/the-centre/board-documents/board-2014-october/item-6>.

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4. The Board is requested:

- a) to approve the amendments to the Financial Regulations as set down in Appendix 1, and submit them for consultation to the Governing Body of the ILO, and
- b) to authorize the Officers of the Board to approve any further amendments to the Financial Regulations to take into account any views expressed by the Governing Body;
- c) subject to the approval of the amendments to the Financial Regulations, to approve the amendments to the Financial Rules as set down in Appendix 2.

*Point for decision:* Paragraph 4.

Turin, 1 July, 2014

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## FINANCIAL REGULATIONS

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(As adopted by the Board of the Centre on 8 November 1979 and amended on 8 November 1980, 22 May 1981, 4 November 1985, 6 November 1996, 3 November 1999, 6 November 2002, 3 November 2006 and 4 November 2011).

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### CHAPTER I

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#### DEFINITIONS

For the purpose of these Regulations:

"Accounts" means all formal records of the assets, liabilities, income and expenditure of the Centre.

"Accrual accounting" means the determination and matching of the income for a financial period with expenditure for the same period.

"Board" means the Board of the Centre as defined in Article III of the Statute.

"Centre" means The International Training Centre of the International Labour Organization.

"Chairperson" means the Chairperson of the Board as defined in paragraph 5 of Article III of the Statute.

"Earned income" means income generated by all activities of the Centre and by all assets of the Centre.

"Financial period" means ~~the two consecutive~~ calendar years ~~from 1 January up to and including 31 December.~~

"Firmly pledged voluntary contributions" means voluntary contributions in respect of which the contributor has stated in writing the amount and the date or dates of payment.

"Net results" means the difference between income and expenditure for a financial period.

"Officers" means the Officers of the Board, as defined in paragraph 5 of Article III of the Statute.

"Staff Regulations" means the Staff Regulations of the Centre as amended from time to time.

"Statute" means the Statute of the Centre as adopted by the Governing Body of the International Labour Office on 31 May 1963, as amended from time to time.

"Working Capital Fund" means the Fund described in Article 11 of these Regulations.

## CHAPTER II

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### FINANCING OF THE CENTRE

#### ARTICLE 1

The financial period of the Centre shall ~~be the~~ consist of two consecutive calendar years.

## CHAPTER IV

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### IMPLEMENTATION OF THE BUDGET

#### ARTICLE 8

1. The Director shall report to the Board at each of its regular meetings on the implementation of the programme and budget proposals. The report shall give an account of the programme actually carried out and projected for the remainder of the financial period. Financial information reported shall include the latest actual income and expenditure and a forecast of income and expenditure to the end of the financial period. The total of actual and forecast income and expenditure shall be compared with the approved budget and explanations shall be given of any significant variations with indications of remedial action taken or proposed.
2. In the year following the end of the financial period, and as soon as audited financial statements are available for the completed financial period, the Director shall report to the Board on activities carried out and the financial results of the completed period.

## CHAPTER V

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### RESERVES

#### ARTICLE 11

1. The Working Capital Fund is established for the following purposes:
  - (a) to finance temporarily expenditure pending receipt of voluntary contributions and other income to be received under signed agreements;
  - (b) in exceptional circumstances, and only with prior written authorisation of the Chairperson, to provide advances to meet emergencies. The Chairperson shall inform the Officers of any such authorisation given.
2. The target level of the Working Capital Fund is the equivalent of Euro 2.0 million. The Board of the Centre may adjust the target level subsequently so that it is compatible with the volume of the Centre's budget.

3. The Working Capital Fund shall be built up to its target level by payments into it of:
  - (a) voluntary contributions made for this purpose by the member States of the International Labour Organisation;
  - (b) voluntary contributions made for this purpose from any other source;
  - (c) provisions established in expenditure budgets for this purpose;
  - (d) the whole or part of any net surplus for any year financial period, after making the provisions required under paragraph 7 below.
4. The Working Capital Fund shall be administered as a separate account and corresponding monies shall be kept in separate bank accounts or invested in accordance with Article VI, paragraph 4, of the Statute. A statement showing the position of the Fund, audited by the External Auditor, shall be submitted to the Board of the Centre as part of the annual financial statements. Interest earned on the Fund shall be credited to the Fund until the target level is attained. Once the target level is attained interest earned on the Fund shall be transferred to the General Fund and recorded as interest earned.
5. Should the Centre be dissolved, the voluntary contributions to the Working Capital Fund may be refunded to the contributing Member States concerned if they so request and to the extent that funds remain available in the Working Capital Fund after settlement of the liabilities of the Centre.
6. Withdrawals made from the Working Capital Fund to finance expenditure for any financial period pending receipt of income shall be reimbursed to the Fund as soon as that income is received.
7. Where sums have been advanced from the Fund to finance expenditure pending the receipt of income which subsequently proves to be uncollectible or to meet expenditure in emergency situations, the sums so advanced shall be reimbursed to the Fund as early as possible by providing for their reimbursement in the next budget proposals or in revised budget proposals, depending on the size of the reimbursements involved.

## CHAPTER VII

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### FINANCIAL STATEMENTS

#### ARTICLE 14

1. Financial statements expressed in Euros shall be prepared at the end of each financial period calendar year.
2. The financial statements for the second year of the financial period shall include schedules of regular budget income and expenditure for the biennial financial period and the calculation of any surplus or deficit.

## ARTICLE 17

1. The Director shall ensure that, for each ~~financial period~~ calendar year, audited, financial statements, together with the External Auditor's report thereon, are submitted to the Board for consideration at a meeting to be held during the year following.
2. The Board shall consider the financial statements in the light of the External Auditor's report and shall adopt them if it is satisfied with their content.

## CHAPTER VIII

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### INTERNAL CONTROL

#### ARTICLE 21

The Director may, after full investigation, authorise the writing-off of losses of cash, supplies, equipment and other assets. A statement of all such losses written off during the ~~financial period~~ calendar year shall be submitted to the External Auditor with the financial statements.

## CHAPTER IX

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### EXTERNAL AUDIT

#### ARTICLE 25

10. The report of the External Auditor to the Board on the financial operations for the period should mention:
  - (a) the type and scope of his or her examination;
  - (b) matters affecting the completeness or accuracy of the accounts, including where appropriate:
    - (i) information necessary to the correct interpretation of the accounts;
    - (ii) any amounts which ought to have been received but which have not been brought to account;
    - (iii) any amounts for which a legal or contingent obligation exists and which have not been recorded or reflected in the financial statements;
    - (iv) expenditure not properly substantiated;
    - (v) whether proper books of accounts have been kept;
    - (vi) any deviations of a material nature in the presentation of financial statements from generally accepted accounting principles applied on a consistent basis;

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



INTERNATIONAL TRAINING CENTRE  
OF THE ILO

**Financial Rules**

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~~2012~~ 2014 Edition

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International **T**raini**n**g Centre  
Centre international de **f**ormati**o**n  
Centro Internacional de **F**ormaci**o**n



## I. Authority and applicability

### 1.20 DEFINITIONS

For the purposes of the Rules, the following definitions shall apply:

<b>Treasurer:</b>	The Treasurer is the Chief of the Financial Services.
<b>Financial Services:</b>	The organizational unit responsible for accounting, invoicing, cash, treasury, payroll and budgetary functions.
<b>Certifying Officer:</b>	An official authorised by the Treasurer to certify the budgetary or financial propriety of proposed obligations or disbursements.
<b>Cashier:</b>	An official authorised by the Treasurer, in accordance with Rule 9.10, to receive and pay out cash and negotiable instruments.
<b>Programme:</b>	Activities planned for a specific field or fields over a stated period.
<b>Activities:</b>	Training activities (courses, seminars, advisory services) planned for a specific subject within a stated programme. Projects form an integral part of programmes.
<b>Programme Manager:</b>	An official in charge of an organisational unit and to whom an allocation of funds is made by the Treasurer for the purpose of carrying out a programme.
<b>Officials:</b>	Officials of the Centre, as well as other officials, who are performing functions in the Centre subject to the authority of the Director of the Centre (the Director) and are responsible to him/her in the exercise of those functions. Officials to whom such specific delegations of authority have been made shall be accountable to the Treasurer for the responsibilities delegated to them.
<b><u>Financial period:</u></b>	<u>Two consecutive calendar years</u>

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## II. Preparation of budget estimates

### 2.10 FORM OF THE BUDGET

The annual biennial estimates for the budget of the Centre shall be drawn up as prescribed in Articles 4 to 9 of the Financial Regulations.

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### III. Collection of income

#### 3.30 MISCELLANEOUS INCOME

- a) Miscellaneous income consists of the following categories of income accruing to the Centre:
- (i) interest income which is not required to be credited to the fund from which it derives;
  - (ii) income from the sale of publications including related fees;
  - (iii) income received from fixed rental contracts with subcontractors present within the Centre's premises;
  - (iv) income derived from hosting activities on the Centre's premises which cannot be defined as official Centre training activities. Such activities shall be known as "Services Rendered to Third Parties" and "Miscellaneous" activities;
  - (v) contributions, whether voluntary or contractual, from subcontractors of Centre services;
  - (vi) amounts recovered in respect of payments effected by the Centre if received to closed projects after the end of the financial period calendar year in which the related payment was made;
  - (vii) any remaining balances of accrued liabilities set up in the previous financial period calendar year;
  - (viii) income from the use of the Centre's sport facilities;
  - (ix) income from external paying guests for the use of the Centre's residential facilities;
  - (x) miscellaneous non-training income, such as recoveries from insurance companies in excess of expenditure;
- b) The related expenses shall be recorded as "Variable Expenses" in the statement of comparison of budget and actual amounts of the Centre.

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### VI. Presentation and audit of claims

#### 6.30 TIME-LIMITS FOR PRESENTATION OF CLAIMS

- (a) Officials authorised to incur obligations shall ensure the presentation, within a reasonable period, of all claims payable.
- (b) Particular care shall be exercised to ensure that all expenditure is recorded within the financial period calendar year in which the goods have been received, the services have been rendered or any other financial obligation has been incurred.

- (c) Claims in respect of officially authorized travel shall be submitted within eight days after such travel has been completed.
- (d) Claims involving discounts for prompt payment shall be flagged and shall be processed with the least delay possible.

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## VII. Payments

### 7.60 TIME-LIMITS FOR PAYMENTS

- (a) Once it has been ascertained that a payment is in order, it shall be made with reasonable dispatch.
- (b) Proper attention shall be paid to claims offering a cash discount for prompt payment.
- (c) Payments made after the end of a [financial period calendar year](#) are not allowed as a charge against that [financial period calendar year](#) unless expenses have been accrued in the accounts for the period in accordance with paragraph 2 of article 13 of the Financial Regulations.

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## XIII Accountability

### 13.40 WRITING-OFF OF LOSSES

- (a) Where a loss is estimated as Euros 5,000 or less, the writing-off may be authorised by the Treasurer. The Director, or the Committee on Accountability, in cases referred to it, may authorize the writing-off of losses exceeding the equivalent of Euros 5,000. A statement of all losses over Euros 5,000 which are written off shall be submitted to the External Auditor and the Internal Auditor with the related documents.
- (b) A loss may be written-off if, in the judgement of the authorising official or the Committee on Accountability, the cost of recuperating the loss would exceed the amount to be written-off, or if it is very unlikely that action to recuperate the loss would be successful.
- (c) Amounts written-off and subsequently recovered after the close of the [financial period calendar year](#) in which the writing-off occurred shall be treated as miscellaneous income.

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