

## **Program and Budget Committee**

### **Nineteenth Session** **Geneva, September 10 to 14, 2012**

#### **PROPOSED AMENDMENTS TO THE FINANCIAL REGULATIONS AND RULES (FRR)**

*presented by the Director General*

1. In accordance with the provisions of Regulation 10.1 “The Director General may propose amendments to these Regulations. Any such amendment to these Regulations must be approved by the General Assembly”, the amendments listed in the Annex to this document are being proposed to Regulations 3.13, 5.10, 6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 6.7, 8.10 and 8.11. The amendments are being proposed in order to align the Financial Regulations and Rules (FRR) with the International Public Sector Accounting Standards (IPSAS) and are further to the modifications proposed and accepted in 2009 which came into force January 1, 2010. Many of the changes concern terminology only, some reflect the difference in treatment under IPSAS when compared with budgetary reporting whilst others reflect the need to clarify that, in compliance with IPSAS, WIPO is required to produce annual financial statements which are subject to an annual external audit.

2. In accordance with Financial Regulation 10.1, Rule 110.1, the “present Rules may be amended by the Director General in a manner consistent with the Financial Regulations”. Therefore, the amendments listed in the Annex will be made by the Director General to the Financial Rules.

3. Subject to approval by the General Assembly of the revisions contained in this document, terminology referring to “annual financial statements”, “calendar year” and “accounting records” appearing in the Annexes to the FRR will be amended accordingly.

4. *The Program and Budget Committee is invited to:*

- (i) recommend the approval of the amended Regulations 3.13, 5.10, 6.1, 6.2, 6.3, 6.4, 6.5, 6.6,*

*6.7, 8.10 and 8.11 to the WIPO  
General Assembly; and*

*(ii) recommend to the WIPO  
General Assembly to take note of  
the amendments to Financial  
Rules and terminology used in the  
Annexes to the Financial  
Regulation and Rules.*

[Annex follows]

**PROPOSED AMENDMENTS TO THE FINANCIAL REGULATIONS AND RULES**

Current Financial Regulations and Rules	Amended Financial Regulations and Rules	Comments (where applicable)
<b>CHAPTER 3: FUNDS</b>	<b>CHAPTER 3: FUNDS</b>	
<b>D. MISCELLANEOUS INCOME</b>	<b>D. MISCELLANEOUS INCOME</b>	
<p><b>Regulation 3.13</b> All income except:</p> <ul style="list-style-type: none"> <li>(a) Assessed contributions by Member States,</li> <li>(b) Fees derived for services provided by the Organization under the PCT, Madrid, Hague and Lisbon systems,</li> <li>(c) Direct refunds of expenditures made during the financial period,</li> <li>(d) Advances or deposits to funds,</li> </ul> <p>shall be classed as miscellaneous income.</p>	<p><b>Regulation 3.13</b> All income except:</p> <ul style="list-style-type: none"> <li>(a) Assessed contributions by Member States,</li> <li>(b) Fees derived for services provided by the Organization under the PCT, Madrid, Hague and Lisbon systems,</li> <li>(c) Direct refunds of expenditures made during the financial period,</li> <li>(d) Advances or deposits to funds,</li> <li>(e) <u>Interest or investment revenue.</u></li> <li>(f) <u>Income from the Arbitration and Mediation Center.</u></li> <li>(g) <u>Income from the sale of publications.</u></li> </ul> <p>shall be classed as miscellaneous income.</p>	<p>Rule amended to provide clarity on the definition of miscellaneous income. In the annual financial statements, other/miscellaneous revenue does not include interest or investment revenue, arbitration and mediation income or publications income.</p>
<b>CHAPTER 5: UTILIZATION OF FUNDS</b>	<b>CHAPTER 5: UTILIZATION OF FUNDS</b>	
<b>Commitments against appropriations for future financial periods</b>	<b>Commitments against appropriations for future financial periods</b>	
<p><b>Rule 105.1</b> In accordance with Regulation 5.7 above, the authority to approve commitments against future financial periods is delegated to the Controller. The Controller shall</p>	<p><b>Rule 105.1</b> In accordance with Regulation 5.7 above, the authority to approve commitments against future financial periods is delegated to the Controller. The Controller shall</p>	<p>Rule amended to harmonize terminology with Chapter 6.</p>

Current Financial Regulations and Rules	Amended Financial Regulations and Rules	Comments (where applicable)
<p>maintain a record in the accounts of all such commitments (Rule 106.7), which shall constitute the first charges against relevant appropriations once they are approved by the General Assembly.</p>	<p>maintain a record in the <u>accounting records</u> <del>accounts</del> of all such commitments (Rule 106.7), which shall constitute the first charges against relevant appropriations once they are approved by the General Assembly.</p>	
<p><b>Establishment and amendment of obligations</b></p>	<p><b>Establishment and amendment of obligations</b></p>	
<p><b>Rule 105.8</b></p> <p>(a) Apart from the employment of staff against an authorized staffing table and consequential commitments under the Staff Regulations and Rules, no undertaking, including by contract, agreement or purchase order shall be entered into until the appropriate credit(s) has (have) been reserved in the accounts (“pre-encumbrance”). This shall be done through the recording of commitments against which obligations shall be recorded. Relevant payments or disbursements against duly recorded obligations shall be recorded as expenditure. An obligation shall be recorded in the accounts as accrued during the period set forth in Regulation 5.3 if the goods have been received or services rendered, until such point as it is liquidated or cancelled in accordance with Regulation 5.4.</p> <p>(b) The Controller may establish a threshold below which pre-encumbrance shall not be required.</p> <p>(c) The Controller shall establish appropriate procedures to be followed in cases where the cost of relevant goods or services has, for whatever reason, increased in the time that elapses between the establishment of an obligation and the processing of final payment.</p>	<p><b>Rule 105.8</b></p> <p>(a) Apart from the employment of staff against an authorized staffing table and consequential commitments under the Staff Regulations and Rules, no undertaking, including by contract, agreement or purchase order shall be entered into until the appropriate credit(s) has (have) been reserved in the accounts (“pre-encumbrance”). This shall be done through the recording of commitments against which obligations shall be recorded. Relevant payments or disbursements against duly recorded obligations shall be recorded as expenditure. An obligation shall be recorded in the <u>accounting records</u> <del>accounts</del> as accrued during the period set forth in Regulation 5.3 if the goods have been received or services rendered, until such point as it is liquidated or cancelled in accordance with Regulation 5.4.</p> <p>(b) The Controller may establish a threshold below which pre-encumbrance shall not be required.</p> <p>(c) The Controller shall establish appropriate procedures to be followed in cases where the cost of relevant goods or services has, for whatever reason, increased in the time that elapses between the establishment of an obligation and the processing of final payment.</p>	<p>Rule amended to harmonize terminology with Chapter 6.</p>

Current Financial Regulations and Rules	Amended Financial Regulations and Rules	Comments (where applicable)
<b>Review, obligation and cancellation of obligations</b>	<b>Review, obligation and cancellation of obligations</b>	
<p><b>Rule 105.9</b></p> <p>(a) Outstanding obligations must be reviewed periodically by the responsible Program Manager. If an obligation is determined to be valid but cannot be liquidated during the period set forth in Regulation 5.3, the provisions of Regulation 5.4 shall, as appropriate, be applied. Obligations that are no longer valid shall be reduced or cancelled from the accounts accordingly.</p> <p>(b) When any obligation previously recorded in the accounts is, for any reason, reduced (other than by payment) or cancelled, the certifying officer shall accordingly ensure that appropriate adjustments are recorded in the accounts.</p>	<p><b>Rule 105.9</b></p> <p>(a) Outstanding obligations must be reviewed periodically by the responsible Program Manager. If an obligation is determined to be valid but cannot be liquidated during the period set forth in Regulation 5.3, the provisions of Regulation 5.4 shall, as appropriate, be applied. Obligations that are no longer valid shall be reduced or cancelled from the <u>accounting records</u> <del>accounts</del> accordingly.</p> <p>(b) When any obligation previously recorded in the <u>accounting records</u> <del>accounts</del> is, for any reason, reduced (other than by payment) or cancelled, the certifying officer shall accordingly ensure that appropriate adjustments are recorded in the <u>accounting records</u> <del>accounts</del>.</p>	<p>Rule amended to harmonize terminology with Chapter 6.</p>
<b>Ex gratia payments</b>	<b>Ex gratia payments</b>	
<p><b>Regulation 5.10</b> The Director General may make such ex gratia payments as are deemed to be necessary in the interest of the Organization, provided that a summary statement of such payments shall be included in the financial statements of the Organization. The total amount of such payments shall not exceed 20,000 Swiss francs in any given financial period.</p>	<p><b>Regulation 5.10</b> The Director General may make such ex gratia payments as are deemed to be necessary in the interest of the Organization, provided that a summary statement of such payments <u>for the calendar year</u> shall be included in the <u>annual</u> financial statements of the Organization. The total amount of such payments shall not exceed 20,000 Swiss francs in any given financial period.</p>	<p>Rule amended as the summary statement of ex gratia payments will need to be prepared for each calendar year of the financial period for inclusion in the annual financial statements.</p>

Current Financial Regulations and Rules	Amended Financial Regulations and Rules	Comments (where applicable)
<p><b>Rule 105.11</b> <i>Ex gratia</i> payments may be made in cases where, although in the opinion of the Legal Counsel there is no clear legal liability on the part of the Organization, the moral obligation is such as to make payment desirable, in the interest of the Organization. A summary statement of all <i>ex gratia</i> payments shall be included in the financial statements of the Organization. The approval of the Controller is required for all <i>ex gratia</i> payments.</p>	<p><b>Rule 105.11</b> <i>Ex gratia</i> payments may be made in cases where, although in the opinion of the Legal Counsel there is no clear legal liability on the part of the Organization, the moral obligation is such as to make payment desirable, in the interest of the Organization. A summary statement of all <i>ex gratia</i> payments <u>for the calendar year</u> included in the <u>annual</u> financial statements of the Organization. The approval of the Controller is required for all <i>ex gratia</i> payments.</p>	<p>Rule amended as the summary statement of <i>ex gratia</i> payments will need to be prepared for each calendar year of the financial period for inclusion in the annual financial statements.</p>
	<p><b><u>Physical verification of property</u></b></p>	
	<p><b><u>Rule 105.33 Officers responsible for the management of the property of the Organization shall perform periodic physical inventories of non-expendable equipment for the purposes of ensuring that the accounting records of fixed assets are accurate.</u></b></p>	<p>New Rule introduced to establish responsibility for ensuring physical non-expendable property of the Organization corresponds to accounting records. With the application of IPSAS, non-expendable equipment is recognized as assets of the Organization in the annual financial statements.</p>

Current Financial Regulations and Rules	Amended Financial Regulations and Rules	Comments (where applicable)
<b>CHAPTER 6: ACCOUNTING</b>	<b>CHAPTER 6: ACCOUNTING</b>	
<p><b>Principal accounts</b></p>	<p><del>Principal accounts</del> <b><u>Accounting records</u></b></p>	<p>The term accounting records is used to provide consistency in terminology with Financial Regulation 6.1.</p>
<p><b>Regulation 6.1</b> The Director General shall maintain and safeguard against damage, destruction, unauthorized access and removal, such accounting records as are necessary for management purposes. The Director General shall prepare financial statements for both years of the financial period, which shall show:</p> <ul style="list-style-type: none"> <li>(a) The income and expenditures of all funds.</li> <li>(b) The status of appropriations, including: <ul style="list-style-type: none"> <li>(i) the original budget appropriation;</li> <li>(ii) the appropriation as modified by any transfers made by the Director General under Regulation 5.5;</li> <li>(iii) increases or decreases arising from the flexibility adjustments under Regulation 5.6;</li> <li>(iv) credits, if any, other than the appropriations approved by the General Assembly;</li> <li>(v) the amounts charged against those appropriations and/or other credits.</li> </ul> </li> <li>(c) The assets and liabilities of the Organization.</li> </ul> <p>The Director General shall also give such other information as may be appropriate to indicate the current financial position of the Organization.</p>	<p><b>Regulation 6.1</b> The Director General shall maintain and safeguard against damage, destruction, unauthorized access and removal, such accounting records as are necessary for management purposes. <del>The Director General shall prepare financial statements for both years of the financial period, which shall show:</del></p> <ul style="list-style-type: none"> <li><del>(a) The income and expenditures of all funds.</del></li> <li><del>(b) The status of appropriations, including:</del> <ul style="list-style-type: none"> <li><del>(i) the original budget appropriation;</del></li> <li><del>(ii) the appropriation as modified by any transfers made by the Director General under Regulation 5.5;</del></li> <li><del>(iii) increases or decreases arising from the flexibility adjustments under Regulation 5.6;</del></li> <li><del>(iv) credits, if any, other than the appropriations approved by the General Assembly;</del></li> <li><del>(v) the amounts charged against those appropriations and/or other credits.</del></li> </ul> </li> <li><del>(c) The assets and liabilities of the Organization.</del></li> </ul> <p><del>The Director General shall also give such other information as may be appropriate to indicate the current financial position of the Organization.</del></p>	<p>The Regulation is amended to refer only to the overall responsibility for the accounting records.</p> <p>References to the preparation of the financial statements are moved to the section entitled 'Financial reporting'. The details described in the existing Financial Regulation 6.1 are no longer applicable to the annual financial statements prepared in accordance with IPSAS, and apply only to the biennial financial management report. They are now included in Financial Regulation 6.6, which deals specifically with the financial management report.</p>

Current Financial Regulations and Rules	Amended Financial Regulations and Rules	Comments (where applicable)
<p><b>Regulation 6.2</b> Appropriate separate accounts shall be maintained for all trust and reserve funds and special accounts.</p>	<p><b>Regulation 6.2</b> Appropriate separate accounts shall be maintained for all trust and reserve funds and special accounts.</p>	<p>Existing Regulation maintained.</p>
<p><b>Rule 106.1</b> In accordance with Regulations 6.1 and 6.2, the principal accounts of the Organization shall include detailed, comprehensive and up-to-date records of assets and liabilities for all funds. The principal accounts shall consist of:</p> <ul style="list-style-type: none"> <li>(a) Program and budget accounts showing: <ul style="list-style-type: none"> <li>(i) original appropriations;</li> <li>(ii) appropriations as modified by transfers;</li> <li>(iii) increases or decreases arising from the flexibility adjustments under Regulation 5.6;</li> <li>(iv) credits (other than appropriations made available by the General Assembly);</li> <li>(v) expenditures, including disbursements and expense accruals;</li> <li>(vi) balances of allocations and appropriations.</li> </ul> </li> <li>(b) General ledger accounts showing all cash at banks, investments, receivables and other assets, payables and other liabilities.</li> <li>(c) Reserve funds, working capital funds and all trust funds and other special accounts.</li> </ul>	<p><b>Rule 106.1</b> <i>The accounting records register all financial transactions of the Organization. The purpose of these records is to enable appraisal of the current financial position and performance of the Organization. The structure of the accounting records is defined by the chart of accounts, which is established and maintained by the Controller. The accounting records are used to establish financial reports.</i> In accordance with Regulations 6.1 and 6.2, the <u>accounting records</u> principal accounts of the Organization shall include detailed, comprehensive and up-to-date records of assets and liabilities for all funds. The <u>accounting records</u> principal accounts shall consist of:</p> <ul style="list-style-type: none"> <li>(a) Program and budget accounts showing: <ul style="list-style-type: none"> <li>(i) original appropriations;</li> <li>(ii) appropriations as modified by transfers;</li> <li>(iii) increases or decreases arising from the flexibility adjustments under Regulation 5.6;</li> <li>(iv) credits (other than appropriations made available by the General Assembly);</li> <li>(v) expenditures, including disbursements and expense accruals;</li> <li>(vi) balances of allocations and appropriations.</li> </ul> </li> <li>(b) General ledger accounts showing all cash at banks, investments, receivables and other assets, payables and other liabilities.</li> <li>(c) Reserve funds, working capital funds and all trust funds and other special accounts.</li> </ul>	<p>Existing Rule maintained, with amendments to clearly identify the nature of accounting records and the chart of accounts and harmonize terminology with other Financial Regulations and Rules.</p>



Current Financial Regulations and Rules	Amended Financial Regulations and Rules	Comments (where applicable)
<b>Accounting standards</b>	<b>Accounting <u>bases and</u> standards</b>	
<p><b>Rule 106.3</b> Unless otherwise directed by the Controller or by the particular terms governing the operation of a trust fund or special account, all financial transactions shall be recorded in the accounts on an accrual basis in compliance with the accounting standards applicable to the United Nations System.</p>	<p><b>Rule 106.3</b> <u>The accounting records shall be maintained to support the preparation of financial reports on different accounting bases as required by the Organization. The program and budget and related reporting in the financial management report are prepared on a modified accrual basis. The annual financial statements are prepared on a full accrual basis in compliance with the accounting standards applicable to the United Nations System.</u> Unless otherwise directed by the Controller or by the particular terms governing the operation of a trust fund or special account, all <u>other</u> financial <u>reporting</u> transactions shall be <u>prepared</u> recorded in the accounts on <u>a full</u> <del>an</del> a full accrual basis in compliance with the accounting standards applicable to the United Nations System.</p>	<p>The Organization prepares its annual financial statements on a full accrual basis in accordance with IPSAS. Currently budget reporting is prepared on a modified accrual basis (most significantly when compared to full accrual accounting, it does not recognize the long-term investment in buildings, depreciation and amortization of fixed assets or post-employment benefit liabilities). The accounting records of the Organization must be able to support the preparation of financial reports on the different accounting bases employed by the Organization.</p>
<b>Currency of accounting records</b>	<b>Currency of accounting records</b>	
<p><b>Regulation 6.3</b> The financial statements and the financial management report of the Organization shall be presented in Swiss francs. Accounting records may, however, be kept in such currency or currencies as the Director General may deem necessary.</p>	<p><b>Regulation 6.3</b> The <u>annual</u> financial statements and the financial management report of the Organization shall be presented in Swiss francs. Accounting records may, however, be kept in such currency or currencies as the Director General may deem necessary.</p>	<p>Existing Regulation maintained, with amendments to harmonize terminology with other Financial Regulations and Rules.</p>
<p><b>Rule 106.4</b> Except where authorized by the Controller, accounts shall be maintained in Swiss francs. At Liaison Offices, accounts may be maintained in the currency of the country in which they are situated, provided that all amounts are recorded both in local currency and the Swiss franc equivalent.</p>	<p><b>Rule 106.4</b> Except where authorized by the Controller, <u>accounting records</u> <del>accounts</del> shall be maintained in Swiss francs. At Liaison Offices, <u>accounting records</u> <del>accounts</del> may be maintained in the currency of the country in which they are situated, provided that all amounts are recorded both in local currency and the Swiss franc equivalent.</p>	<p>Existing Rule maintained, with amendments to harmonize terminology with other Financial Regulations and Rules.</p>

Current Financial Regulations and Rules	Amended Financial Regulations and Rules	Comments (where applicable)
<b>Accounting for proceeds from the sale of property</b>	<b>Accounting for proceeds from the sale of property</b>	
<p><b>Rule 106.6</b> The proceeds from the sale of property shall be credited as miscellaneous income except:</p> <ul style="list-style-type: none"> <li>(a) Where a Property Survey Board has recommended the application of these proceeds directly against the purchase price of replacement equipment or supplies (any balance shall be taken into account as miscellaneous income).</li> <li>(b) When 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.</li> <li>(c) 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.</li> <li>(d) When the proceeds from the sale of surplus project equipment shall be credited to the accounts of that project, provided that the project has not been closed.</li> </ul>	<p><del><b>Rule 106.6</b> The proceeds from the sale of property shall be credited as miscellaneous income except:</del></p> <ul style="list-style-type: none"> <li><del>(a) Where a Property Survey Board has recommended the application of these proceeds directly against the purchase price of replacement equipment or supplies (any balance shall be taken into account as miscellaneous income).</del></li> <li><del>(b) When 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.</del></li> <li><del>(c) 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.</del></li> <li><del>(d) When the proceeds from the sale of surplus project equipment shall be credited to the accounts of that project, provided that the project has not been closed.</del></li> </ul> <p><i><u>For the purposes of the annual financial statements prepared on a full accrual basis, the gain or loss from the de-recognition of fixed assets (equipment, buildings or intangible assets) shall be included in the surplus or deficit of the statement of financial performance.</u></i></p>	<p>The Rule is amended to reflect the accounting treatment of sale or disposal of fixed assets in the annual financial statements prepared in accordance with IPSAS.</p>
<b>Accounting for commitments against future financial periods</b>	<b>Accounting for commitments against future financial periods</b>	
<p><b>Rule 106.7</b> Obligations established prior to the financial period to which they pertain, pursuant to Regulation 5.7 and Rule 105.1, shall be disclosed in the financial statements.</p>	<p><b>Rule 106.7</b> <i>Commitments</i> Obligations established prior to the financial period to which they pertain, pursuant to Regulation 5.7 and Rule 105.1, shall be disclosed in the</p>	<p>For consistency of terminology with Regulation 5.7 and Rule 105.1, the term 'obligation' is replaced with 'commitment'.</p>

Current Financial Regulations and Rules	Amended Financial Regulations and Rules	Comments (where applicable)
	<p><i>financial management report</i> financial statements. <i>For the purposes of the annual financial statements, contractual capital commitments for the acquisition of fixed assets and contractual commitments under lease arrangements which fall due in future calendar years shall be disclosed in the notes to the financial statements.</i></p>	<p>The annual financial statements are subject to specific requirements for disclosing contractual commitments in accordance with IPSAS, and therefore specific reference is made to these.</p>
<p><b>Writing off losses of cash, receivables and property</b></p>	<p><b>Writing off losses of cash, receivables and property</b></p>	
<p><b>Regulation 6.4</b> The Director General may, after full investigation, authorize the writing-off of losses of cash, stores and other assets, provided that a statement of all such amounts written off for the financial period shall be submitted to the External Auditor with the financial statements.</p>	<p><b>Regulation 6.4</b> The Director General may, after full investigation, authorize the writing-off of losses of cash, stores and other assets, provided that a statement of all such amounts written off for the <i>calendar year</i> financial period shall be submitted to the External Auditor with the <i>annual</i> financial statements.</p>	<p>Rule amended as the statement of amounts written off will need to be prepared for each calendar year of the financial period for inclusion in the annual financial statements.</p>
<p><b>Rule 106.9</b></p> <p>(a) The Controller may, after full investigation, authorize the writing-off of losses of WIPO property and adjust the records in order to bring the balance shown into conformity with actual physical property. A summary statement of losses of non-expendable property shall likewise be provided to the External Auditor not later than three months following the end of the financial period.</p> <p>(b) The investigation shall in each case fix the responsibility, if any, attaching to any officer(s) of the Organization for the loss or losses. Such officer(s) may be required to reimburse the Organization either partially or in full. The final determination as to all surcharges to be made against such officer(s) as the result of losses will be made by the Controller.</p>	<p><b>Rule 106.9</b></p> <p>(a) The Controller may, after full investigation, authorize the writing-off of losses of WIPO property and adjust the <i>accounting</i> records in order to bring the balance shown into conformity with actual physical property. A summary statement of losses of non-expendable property shall likewise be provided to the External Auditor not later than three months following the end of the <i>calendar year</i> financial period.</p> <p>(b) The investigation shall in each case fix the responsibility, if any, attaching to any officer(s) of the Organization for the loss or losses. Such officer(s) may be required to reimburse the Organization either partially or in full. The final determination as to all surcharges to be made against such officer(s) as the result of losses will be made by the Controller.</p>	<p>Rule amended to update terminology and also to reflect that the summary statement will be prepared for each calendar year.</p>

Current Financial Regulations and Rules	Amended Financial Regulations and Rules	Comments (where applicable)
<p><b>Financial statements</b></p>	<p><b>Financial statements <u>reporting</u></b></p>	<p>This section is not limited to the financial statements, but also refers to the financial management report and possible additional financial statements. As such the term financial reporting is preferred to financial statements.</p>
<p><b>Regulation 6.5</b> The financial statements for both years of the financial period shall be submitted by the Director General to the External Auditor and the Independent Advisory Oversight Committee no later than March 31 following the end of each year of the financial period. Final financial statements covering both years of the financial period shall be submitted to the External Auditor and the Independent Advisory Oversight Committee not later than April 30 following the end of the financial period.</p>	<p><b>Regulation 6.5</b> The <u>annual</u> financial statements for <u>each calendar year</u> <del>both years</del> of the financial period shall be submitted by the Director General to the External Auditor and the Independent Advisory Oversight Committee no later than March 31 following the end of <u>the calendar each year to which they relate</u> of the financial period. <del>Final financial statements covering both years of the financial period shall be submitted to the External Auditor and the Independent Advisory Oversight Committee not later than April 30 following the end of the financial period.</del></p>	<p>Under IPSAS, the financial statements are prepared on an annual basis and therefore, for clear distinction from the biennial financial management report, shall be referred to as the annual financial statements.</p> <p>Separate financial statements for the biennium will not be submitted to the External Auditor, however as per Financial Regulation 6.6 primary financial statements for the biennium will be included as part of the financial management report.</p>
<p><b>Rule 106.11</b></p> <p>(a) For all accounts of the Organization, financial statements covering each year of the financial period, as at December 31, shall be submitted to the External Auditor and the Independent Advisory Oversight Committee not later than March 31 of the following year. For the same accounts, final financial statements covering both years of the financial period, likewise as at December 31, shall be submitted to the External Auditor and the Independent Advisory Oversight Committee not later than April 30 following the end of the financial period. Copies of financial statements shall also be transmitted to the Program and Budget Committee. Additional financial statements may be prepared as and when the Controller deems it necessary.</p> <p>(b) Financial statements submitted to the External Auditor and the Independent Advisory Oversight Committee for all accounts shall include:</p>	<p><b>Rule 106.11</b></p> <p>(a) <del>For all accounts of the Organization,</del> <u>Annual</u> financial statements covering each <u>calendar</u> year of the financial period, as at December 31, shall be submitted to the External Auditor and the Independent Advisory Oversight Committee not later than March 31 <del>of the following the end of the calendar year to which they relate.</del> <u>The annual financial statements shall include all business units of the Organization.</u> <del>For the same accounts, final financial statements covering both years of the financial period, likewise as at December 31, shall be submitted to the External Auditor and the Independent Advisory Oversight Committee not later than April 30 following the end of the financial period.</del> Copies of <u>the annual</u> financial statements shall also be transmitted to the Program and Budget Committee. Additional financial statements may be prepared as and when the Controller deems it necessary.</p>	<p>As per Financial Regulation 6.5, the Rule is amended to refer to annual financial statements and to reflect the fact that separate financial statements shall not be prepared for the biennium.</p> <p>For clarification, the reference to 'all accounts of the Organization' is removed and replaced with reference to 'all business units'. Per the 2010 audited annual financial statements, the business units of the Organization are Program and Budget, Special Accounts (Funds in Trust) and Projects Financed from Reserves.</p> <p>The changes to part (b) of the Rule reflect the reporting requirements of IPSAS and the titles of the primary statements. The statements are listed in the same order as they are presented in the annual financial statements.</p>

Current Financial Regulations and Rules	Amended Financial Regulations and Rules	Comments (where applicable)
<ul style="list-style-type: none"> <li>(i) a statement of income, expenditures and changes in reserves and fund balances;</li> <li>(ii) a statement of assets, liabilities, reserves and fund balances;</li> <li>(iii) a statement of cash flows;</li> <li>(iv) such other schedules as may be required;</li> <li>(v) notes to the financial statements.</li> </ul>	<p>(b) <u>The annual</u> financial statements submitted to the External Auditor and the Independent Advisory Oversight Committee for all accounts shall include:</p> <ul style="list-style-type: none"> <li>(i) <u>a statement of financial position; a statement of income, expenditures and changes in reserves and fund balances;</u></li> <li>(ii) <u>a statement of financial performance; a statement of assets, liabilities, reserves and fund balances;</u></li> <li>(iii) <u>a statement of changes in net assets; a statement of cash flows;</u></li> <li>(iv) <u>a statement of cash flow; such other schedules as may be required;</u></li> <li>(v) <u>a statement of comparison of budget and actual amounts; notes to the financial statements.</u></li> <li>(vi) <u>notes, comprising a summary of significant accounting policies and other explanatory notes.</u></li> </ul> <p><u>Subparagraphs (i) to (v) above shall be considered to constitute the primary financial statements.</u></p>	
<p><b>Regulation 6.6</b> Within five months after the end of each financial period, the Director General shall prepare the financial management report for that financial period. That report shall include the financial statements covering the financial period, statement of budget and actual income and expenditure for the financial period reported on the same basis as the adopted budget in accordance with Regulation 6.1, a report on investments and a statement on the status of contributions of the Member States.</p>	<p><b>Regulation 6.6</b> Within five months after the end of each financial period, the Director General shall prepare the financial management report for that financial period. That report shall include <u>the following information:</u> <del>the financial statements covering the financial period, statement of budget and actual income and expenditure for the financial period reported on the same basis as the adopted budget in accordance with Regulation 6.1, a report on investments and a statement on the status of contributions of the Member States.</del></p> <p><u>(a) A statement of budget and actual income and expenditure for the financial period reported on the same accounting basis as the adopted budget;</u></p>	<p>The Regulation is amended to include all elements of the financial management report. Information previously included in Financial Regulation 6.1 is now included in Financial Regulation 6.6 which deals specifically with the financial management report.</p> <p>The financial management report will include the primary financial statements (as referred to in the amended Financial Rule 106.11) prepared for the biennium. These will include information on the assets and liabilities of the Organization, as previously required under Financial Regulation 6.1.</p>

Current Financial Regulations and Rules	Amended Financial Regulations and Rules	Comments (where applicable)
	<p><i>(b) <u>The income and expenditures of all funds:</u></i></p> <p><i>(c) <u>The status of appropriations, including:</u></i></p> <p style="padding-left: 40px;"><i>(i) <u>the original budget appropriation;</u></i></p> <p style="padding-left: 40px;"><i>(ii) <u>the appropriation as modified by any transfers made by the Director General under Regulation 5.5;</u></i></p> <p style="padding-left: 40px;"><i>(iii) <u>increases or decreases arising from the flexibility adjustments under Regulation 5.6;</u></i></p> <p style="padding-left: 40px;"><i>(iv) <u>credits, if any, other than the appropriations approved by the General Assembly;</u></i></p> <p style="padding-left: 40px;"><i>(v) <u>the amounts charged against those appropriations and/or other credits;</u></i></p> <p><i>(d) <u>Primary financial statements for the financial period prepared on the same accounting basis as the annual financial statements;</u></i></p> <p><i>(e) <u>A report on investments;</u></i></p> <p><i>(f) <u>A statement on the status of contributions of the Member States.</u></i></p> <p><i><u>The Director General shall also give such other information as may be appropriate to indicate the current financial position of the Organization.</u></i></p>	
<p><b>Regulation 6.7</b> After audit, the annual financial statements, financial management report and the report of the External Auditor shall be transmitted to all the interested States.</p>	<p><b>Regulation 6.7</b> After <u>the annual</u> audit, the annual financial statements, <del>financial management report</del> and the report of the External Auditor shall be transmitted to all the interested States. <u>Every two years following the end of the biennium, the financial management report shall also be transmitted to all the interested States.</u></p>	<p>The audit of the financial statements is prepared annually in accordance with IPSAS. The financial management report is prepared for each biennium and the External Auditor does not prepare a report for this document.</p>

Current Financial Regulations and Rules	Amended Financial Regulations and Rules	Comments (where applicable)
	<u><i>Retention of records</i></u>	
<p><b>Rule 106.13</b> Accounting records, other financial and property records and all supporting documents shall be retained for such periods as may be agreed with the External Auditor, after which, on the authority of the Controller, they may be destroyed.</p>	<p><b>Rule 106.13</b> <i>The</i> accounting records <i>shall be supported by</i> <del>other</del> financial and property records and <i>other</i> <del>all supporting</del> documents <i>which are to be retained in appropriate files and</i> <del>shall be retained</del> for such periods as may be agreed with the External Auditor, after which, on the authority of the Controller, they may be destroyed.</p>	<p>Amendments are made to distinguish accounting records from the documents which support them, and to add further detail on how records should be retained.</p>

CHAPTER 8: EXTERNAL AUDITOR	CHAPTER 8: EXTERNAL AUDITOR	Comments (where applicable)
<p><b>Reporting</b></p>	<p><b>Reporting</b></p>	
<p><b>Regulation 8.10</b> The External Auditor shall issue an opinion on the financial statements for each year of the financial period, and a report on the audit of the financial statements for the financial period, which shall include such information as the External Auditor deems necessary with regard to matters referred to in Regulation 8.5 and in the annex to the present Regulations referred to in Regulation 8.4.</p>	<p><b>Regulation 8.10</b> The External Auditor shall issue an opinion on the <i>annual</i> financial statements for each <i>calendar</i> year of the financial period, <del>and a report on the audit of the financial statements for the financial period,</del> which shall include such information as the External Auditor deems necessary with regard to matters referred to in Regulation 8.5 and in the annex to the present Regulations referred to in Regulation 8.4.</p>	<p>Regulation amended to reflect the fact that the External Auditor shall issue an opinion on the annual financial statements but not the financial management report or biennial financial statements.</p>

CHAPTER 8: EXTERNAL AUDITOR	CHAPTER 8: EXTERNAL AUDITOR	Comments (where applicable)
<p><b>Regulation 8.11</b> The reports of the External Auditor shall be transmitted to the General Assembly through the Program and Budget Committee, together with the audited financial statements, in accordance with any directions given by the General Assembly. The Program and Budget Committee shall examine the financial statements and the audit reports and shall forward them to the General Assembly with such comments and recommendations as it deems appropriate.</p>	<p><b>Regulation 8.11</b> The reports of the External Auditor <u>on the annual financial statements, together with reports from other audits</u>, shall be transmitted to the General Assembly through the Program and Budget Committee, together with the audited <u>annual</u> financial statements, in accordance with any directions given by the General Assembly. The Program and Budget Committee shall examine the <u>annual</u> financial statements and the audit reports and shall forward them to the General Assembly with such comments and recommendations as it deems appropriate.</p>	<p>Regulation amended to reflect the fact that audit reports from the External Auditor shall be prepared for the annual financial statements.</p>

[End of Annex and of document]