

Executive Committee

Second Session

Sub-Committee 3 on Administration

REPORT OF THE WORKING PARTY ON THE DRAFT
FINANCE AND STAFF REGULATIONS OF
THE INTERNATIONAL TRADE ORGANISATION

1. The Working Party accepted the general principle of adapting the Provisional Finance and Staff Regulations of the United Nations to the circumstances of the I.T.O., introducing as few amendments as possible. Certain problems requiring action by the Conference arise out of these Regulations, and the Working Party has made preliminary observations on them. Its recommendations on the draft provided by the Executive Secretary (which is understood to incorporate recent amendments to the U.N. Regulations) are as follows:

Finance Regulations

Regulation 3 should be amended to read:

"The financial year shall be the calendar year
1st January - 31st December."

Regulations 6 and 7. The question of the detailed financial machinery for the Organisation is not wholly within the terms of reference of Working Party and will, of course, be the subject of debate and resolution at the first Session of the Conference. It does, however, seem necessary to indicate an approach to the problem. The Working Party has, therefore, assumed that the Conference will approve the establishment of an Advisory Committee, similar to that established by the U.N., of a limited number of independent persons meeting fairly frequently -

- (a) to examine budget estimates,
- (b) to authorise such transfers between Budget sections or advances from the Working Capital Fund as are beyond the competence of the Director General,
- (c) to advise the Conference, the Executive Board and the Director General, upon such administrative and financial questions as may be referred to it.
- (d) to examine the auditors' reports.

In the light of this principle Regulations 6 and 7 should be amended as follows (and consequential amendments should be made where necessary elsewhere in the Regulations):-

"Regulation 6 - The estimates shall be submitted to the Advisory Committee on Administration and Finance (hereinafter referred to as the Advisory Committee) at least 12 weeks prior to the opening of the annual Session of the Conference. They shall be examined by the Advisory Committee which shall prepare a report thereon. The estimates together with the Committee's report shall be transmitted to all members at least 5 weeks prior to the opening of the regular annual Session of the Conference.

Regulation 7 - the estimates and the reports of the Advisory Committee thereon shall be submitted to the Conference and referred to the proper committee for consideration and report to the Conference."

Regulation 8 It is the understanding of the Working Party that in accordance with the provisions of Article 77 of the Charter the budget will be debated and appropriations voted by the Conference.

Regulation 12 It is assumed that a Working Capital Fund will be established by a resolution of the Conference.

Regulation 17 Amend second sentence to read:

"The Director General may at his discretion lay down conditions under which member governments may pay part of their contributions in other currencies to the extent that the approved budget requires expenditures in those currencies."

Regulation 30 The Working Party accepts the proposal in the footnote to Regulation 30 that it is desirable to make use of the U.N. Board of Auditors if available. They consider that in addition to carrying out the annual audit, it would be desirable that the Board should be able to advise the Director General on such matters as he may refer to them from time to time. It is recommended, therefore, that Regulation 30 should be amended to read:

"For the purpose of making annually, and at such times as may be necessary for special purposes, an independent audit of the funds assets and accounts of the Organisation, the Organisation shall so far as possible make use of the Board of External Auditors of the Accounts of the United Nations. The procedures governing the audit shall be determined by a resolution of the Conference."

(The auditing experience of the U.N. has been utilised to form the basis of a draft resolution on auditing procedures under this Regulation - text at Annex A).

Regulation 32 For "Executive Board" read "Advisory Committee".

Staff Regulations

Regulation 2 The Working Party considers that the text of the United Nations cath of acceptance should not be modified as suggested in the footnote to this Regulation.

Regulation 5 Amend second sentence to read:

"They shall not communicate to any person any unpublished information known to them by reason of their official position except as their duties may require or by authorisation of the Director General."

Regulation 7 The form of the U.N. text is preferred to that of the draft.

Regulation 12 The Working Party interprets the second paragraph as in no way implying that individual probationers should receive special treatment.

Regulation 15 The Working Party interprets this as relating to general questions affecting conditions of service and in itself implying no obligation on the Director General to discuss the private problems of individuals.

Regulation 16 The Working Party considers that no recommendation regarding scales of allowances should be made until the question has been considered fully by the Conference. They suggest amendment of the last words of the sentence to read:

"who shall follow in principle the scales of remuneration of the United Nations".

Regulation 22 The Working Party considers that a maximum indemnity payable upon termination of employment should be fixed, and recommend that the Regulation should be amended to conform with the equivalent U.N. Regulation.

Regulation 26 The Working Party recommends that the Organisation should be affiliated with the U.N. Pension Scheme if it is adopted at the forthcoming General Assembly in Paris. It suggests the following alternative draft for Regulation 26:-

"The Organisation shall be affiliated with the Permanent Retirement Scheme of the United Nations and shall apply the provisions laid down thereby".

Regulation 28 The representative of the U.S.A. considered that Regulation 28 should be deleted since the matter is academic in the absence of the establishment of a tribunal by the U.N. The representatives of Australia and the U.K. consider that the Article should be retained in the draft in order to draw the attention of the Conference to it.

Regulation 29 Delete "without prejudice to the acquired rights of members of the staff".

Regulation 30 Amend to read:

"The Director General shall inform the Advisory Committee of such staff rules and amendments thereto as he may make to implement these Regulations. Whenever it considers this necessary, the Advisory Committee shall draw the attention of the Conference to them."

Children's allowances and education grants

The Working Party agrees that it is unnecessary at this stage to make detailed provisions for these in the text of the I.T.O. Staff Regulations (see Regulation 16).

ANNEX "A"

PROPOSED AUDIT PROCEDURE FOR INTERNATIONAL TRADE ORGANIZATION

The auditors shall submit their report, together with the certified accounts and such other statements as they think necessary, to the Conference. A copy of this report shall be made available to the Director-General sufficiently in advance of its submission to the Conference to permit him to present such comment or representations to the Conference as he may desire to submit.

The Audit should be carried out by the Auditors having full regard to the following requirements of the Conference:

a. The Auditors should satisfy themselves:

- (1) That the accounts, including the balance sheet, represent a correct record of duly authorized financial transactions of the financial year;
- (2) That money has not been expended or obligated other than for the purpose or purposes for which the appropriations voted by the Conference were intended to provide, except in so far as transfers within the budget are authorized, and that the expenditure conforms to the authority which governs it;
- (3) That transfers from the Working Capital Fund or other funds have received the necessary authority.

b. The Auditors, after satisfying themselves that the vouchers have been examined and certified as correct by the accounting organization, may, in their discretion and having regard to the character of the examination within the department, in any particular case admit the sums so certified without further examination, provided however, that, if the Conference requests that any accounts be examined in greater detail, the Auditors shall take action accordingly.

c. The Auditors shall examine such store or stock accounts as are maintained by the organization the financial accounts of which they are auditing.

d. The Auditors shall have free access at all convenient times to the books of account and all information relevant to the accounts of the organization concerned. Requests for official files which may deal with matters of policy should be made only through the administrative officer in charge of administrative and financial services.

e. The Auditors should not criticize purely administrative matters, but it is within their discretion to comment upon the financial consequences of administrative action. Audit examination should not be undertaken before accounting effect has been given to transactions, nor should accounts and vouchers be examined until they have been duly rendered available by the department concerned.

f. Objections to any items which may arise during audit should be communicated immediately to the accounting department concerned. As a general rule, criticism should not be made in the Auditors' report without first affording the accounting department an opportunity of explanation.

g. Documentary or other information obtained from a department should not be published by the Auditors without reference having been made to the duly authorized official of the organization or agency concerned.

h. The Auditors certifying the accounts shall prepare a joint report of each account certified, in which they should mention:

- (1) The extent and character of their examination or any important changes therein;
- (2) Matters affecting the completeness or accuracy of the accounts, such as:
 - (a) Information necessary to the correct interpretation of the account;
 - (b) Any amounts which ought to have been received but which have not been brought to account;
 - (c) Expenditure not properly vouched;
- (3) Other matters which should be brought to the notice of the Conference, such as:
 - (a) Cases of fraud or presumptive fraud;
 - (b) Wasteful or improper expenditure of the organization's money or stores (notwithstanding that the accounting for the transactions may be correct);
 - (c) Expenditure likely to commit the organization to further outlay on a large scale;
 - (d) Any defect in the general system or detailed regulations governing the control of receipts and expenditure, or of stores;
 - (e) Expenditure not in accordance with the intention of the Conference, after making allowance for duly authorized transfers within the budget;
 - (f) Expenditure in excess of appropriations, as amended by duly authorized transfers within the budget;
 - (g) Expenditure not in conformity with the authority which governs it.

- (4) The accuracy or otherwise of the stores' records as determined by stock-taking and examination of the records.

In addition, the reports may contain reference to:

- (5) Transactions accounted for in a previous year concerning which further information has been obtained, or transactions in a later year concerning which it seems desirable that the Conference should have early knowledge.

i. The Auditors, or such of their officers as they may delegate, should jointly certify each account in the following terms:

"The above accounts have been examined in accordance with our directions. We have obtained all the information and explanations that we have required, and we certify, as the result of the audit, that, in our opinion, the above account is correct";

adding, should it be necessary, "subject to the observations in our report."

j. The Auditors shall have no power to disallow items in the accounts, but shall recommend to the Director-General for appropriate action such disallowances as the Auditors are prepared to recommend to the Conference based on their audit of the accounts and records. The Auditors shall bring to the attention of the Conference any cases where its recommendations for disallowance have not been acted upon by the Director-General.