Financial Regulations
Adopted by the General Conference at its 6th session and amended at its 7th, 8th, 10th, 12th, 14th, 16th, 17th, 19th, 22nd, 23rd, 24th, 25th, 26th, 28th, 30th and 31st sessions.1

Article 1  
**Applicability**
1.1 These Regulations shall govern the financial administration of UNESCO.

Article 2  
**Financial period**
2.1 The financial period shall be two consecutive calendar years beginning with an even-numbered year.

Article 3  
**The budget**
3.1 The budget estimates for the financial period shall be prepared by the Director-General.
3.2 The estimates shall cover income and expenditure for the financial period and shall be presented in dollars of the United States of America.
3.3 The budget estimates shall be divided into parts, chapters, sections, and items, and shall be accompanied by such information annexes and explanatory statements as may be requested by or on behalf of

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the General Conference, and such further annexes or statements as the Director-General may deem necessary and useful.

3.4 The Executive Board shall examine budget estimates prepared by the Director-General and submit them to the ordinary session of the General Conference with such recommendations as it considers desirable. The budget estimates shall be transmitted to all Member States and Associate Members so as to reach them at least three months prior to the opening of the ordinary session of the General Conference.

3.5 The Director-General shall, prior to the opening of the ordinary session of the General Conference, submit the estimates to the Executive Board for examination.

3.6 The recommendations of the Executive Board concerning the budget estimates that accompany the draft programme prepared by the Director-General shall be transmitted to Member States and Associate Members so as to reach them at least three months prior to the opening of the ordinary session of the General Conference.

3.7 The budget shall be adopted by the General Conference.

3.8 Supplementary estimates may be submitted by the Director-General whenever necessary. They shall be prepared in a form consistent with the estimates for the financial period and shall be submitted to the Executive Board.

3.9 Supplementary estimates to a total of 7.5 per cent of the appropriation for the financial period may be approved provisionally by the Executive Board, after it is satisfied that all possibilities of savings and of transfers within Parts I to VI of the budget have been exhausted, and shall be reported to the General Conference for final approval. Supplementary estimates in excess of 7.5 per cent of the appropriations for the financial period shall be reviewed by the Executive Board and submitted to the General Conference with such recommendations as the Board may consider desirable.

Article 4

**Appropriations**

4.1 The appropriations voted by the General Conference shall constitute an authorization to the Director-General to incur obligations and make payments for the purposes for which the appropriations were voted and up to the amounts so voted, except that approval of the Executive Board shall be required for grants-in-aid and subsidies to other organizations.

4.2 Appropriations shall be available for obligation during the financial period to which they relate in accordance with the Appropriation Resolution.
4.3 Appropriations shall remain available for twelve months following the end of the financial period to which they relate to the extent that they are required to discharge obligations in respect of goods supplied and services rendered in the financial period and to liquidate any other outstanding legal obligations of the financial period. The balance of the appropriations remaining unobligated at the close of a financial period, after deducting therefrom any contributions from Member States relating to that financial period which remain unpaid, shall be apportioned among Member States in proportion to their assessed contributions for that financial period. The amount so apportioned to a Member State shall be surrendered to such Member State if its contribution for that financial period has been paid in full.

4.4 At the end of the twelve-month period provided for in Regulation 4.3, the then remaining unspent balance of appropriations retained after deducting therefrom any contributions from Member States relating to the financial period of the appropriation which remain unpaid, shall be apportioned among Member States in proportion to their assessed contributions for that financial period. The amount so apportioned to a Member State shall be surrendered to such Member State if its contribution for that financial period has been paid in full.

4.5 Transfers within the total amount appropriated may be made to the extent permitted by the terms of the budget resolution adopted by the General Conference.

Article 5 Provision of funds

5.1 The appropriations, subject to the adjustments effected in accordance with the provisions of Regulation 5.2, shall be financed by contributions from Member States, according to the scale of assessments determined by the General Conference. Pending the receipt of such contributions the appropriations may be financed from the Working Capital Fund.

5.2 In the assessment of the contributions of Member States adjustments shall be made to the amount of the appropriations approved by the General Conference for the following financial period in respect of:
(a) Supplementary appropriations for which contributions have not previously been assessed on the Member States;
(b) Miscellaneous income for which credits have not previously been taken into account, and any adjustments in estimated miscellaneous income previously taken into account;
(c) Contributions resulting from the assessment of new Member States under the provisions of Regulation 5.9.

5.3 After the General Conference has adopted the budget and determined the amount of the Working Capital Fund, the Director-General shall:
   (a) Transmit the relevant documents to Member States;
   (b) Inform Member States of their commitments in respect of contributions to the budget and advances to the Working Capital Fund;
   (c) Request them to remit one half of their contributions for the two-year financial period, together with their advances to the Working Capital Fund.

5.4 At the end of the first calendar year of the two-year financial period, the Director-General shall request Member States to remit the other half of their contributions for that financial period.

5.5 Contributions and advances shall be considered as due and payable in full within thirty days of the receipt of the communications of the Director-General referred to in Regulations 5.3 and 5.4 above or as of the first day of the year to which they relate, whichever is the later. As of 1 January of the following year the unpaid balance of such contributions and advances shall be considered to be one year in arrears.

5.6 Contributions to the budget shall be assessed partly in United States dollars and partly in euros in a proportion to be determined by the General Conference and shall be paid in these or other currencies as decided by the General Conference. Advances to the Working Capital Fund shall be assessed and paid in a currency or currencies to be determined by the General Conference.

5.7 Payments made by a Member State shall be credited first to the Working Capital Fund and then to the contributions due, in the order in which the Member was assessed.

5.8 The Director-General shall submit to the ordinary session of the General Conference a report on the collection of contributions and advances to the Working Capital Fund.

5.9 New members shall be required to make a contribution for the financial period in which they become members and provide their proportion of the total advances to the Working Capital Fund at rates to be determined by the General Conference.

Article 6  Funds

6.1 There shall be established a General Fund for the purpose of accounting for the expenditures of the Organization. The
contributions paid by Member States under Regulation 5.1, Miscellaneous Income, and any advances made from the Working Capital Fund to finance general expenditures shall be credited to the General Fund.

6.2 There shall be established a Working Capital Fund in an amount and for purposes to be determined from time to time by the General Conference. The source of moneys of the Working Capital Fund shall be advances from Member States, and these advances made in accordance with the scale of assessments as determined by the General Conference for the apportionment of the expenses of UNESCO shall be carried to the credit of the Member States which have made such advances. If a Member State withdraws from the Organization, any credit it may have in the Working Capital Fund shall be used towards liquidation of any financial obligation such Member State may have to the Organization. Any residual balance shall be refunded to the Member State withdrawing.

6.3 Advances made from the Working Capital Fund to finance budgetary appropriations during a financial period shall be reimbursed to the Fund as soon as and to the extent that income is available for that purpose.

6.4 Except when such advances are recoverable from some other source, advances made from the Working Capital Fund for unforeseen and extraordinary expenses shall be reimbursed through the submission of supplementary estimates.

6.5 Income derived from investments of the Working Capital Fund shall be credited to Miscellaneous Income.

6.6 Trust Funds, Reserve and Special Accounts may be established by the Director-General and shall be reported to the Executive Board.

6.7 The purpose and limit of each Trust Fund, Reserve or Special Account shall be clearly defined by the appropriate authority. The Director-General may, when necessary in connection with the purposes of a Trust Fund, Reserve or Special Account, prepare special financial regulations to govern the operations of such funds and accounts, which shall be reported to the Executive Board; the Executive Board may make appropriate recommendations to the Director-General thereon. Unless otherwise provided, such funds and accounts shall be administered in accordance with the present Financial Regulations.

Article 7 Other income

7.1 All other income except: (a) contributions to the budget; (b) direct refunds of expenditures made during the financial period;
(c) advances or deposits to funds; and (d) interest on investments, excluding that on investments of the Working Capital Fund shall be classified as Miscellaneous Income, for credit to the General Fund.

7.2 Interest on investments, excluding that on investments of the Working Capital Fund, shall be disposed of in a manner to be decided by the General Conference.

7.3 Voluntary contributions, gifts, bequests and subventions, whether or not in cash, may be accepted by the Director-General provided that the purposes for which the contribution is made are consistent with the policies, aims and activities of the Organization and provided that the acceptance of such voluntary contributions, gifts, bequests and subventions which directly or indirectly involve additional financial liability for the Organization shall require the consent of the Executive Board.

7.4 Moneys accepted for purposes specified by the donor shall be treated as Trust Funds or Special Accounts under Regulations 6.6 and 6.7.

7.5 The Director-General may receive contributions in cash from States which, although neither Members nor Associate Members, participate in certain programme activities or enjoy certain facilities or services provided by the Organization; he shall report thereon to the Executive Board.

7.6 Moneys accepted in respect of which no purpose is specified shall be credited to the general sub-account of the Special Account for Voluntary Contributions.

Article 8  
Custody of funds
8.1 The Director-General shall designate the bank or banks in which the funds of the Organization shall be kept.

Article 9  
Investment of funds
9.1 The Director-General shall make short-term investments of moneys not needed for immediate requirements and shall include in the annual accounts of the Organization information on the investments held.

9.2 The Director-General may make long-term investments of moneys standing to the credit of Trust Funds, Reserve and Special Accounts as may be provided by the appropriate authority in respect of each such fund or account.

9.3 Income derived from investments shall be credited as provided in the rules relating to each fund or account.
Article 10  **Internal control**

10.1 The Director-General shall:
(a) Establish detailed financial rules and procedures in order to ensure effective financial administration and the exercise of economy;
(b) Cause all payments to be made on the basis of supporting vouchers and other documents which ensure that the services or goods have been received, and that payment has not previously been made;
(c) Designate the officers who may receive moneys, incur 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 provision voted by the General Conference or with the purposes and rules relating to Trust Funds and Special Accounts;
   (iii) The economic use of the resources of the Organization.

10.2 No obligations shall be incurred until allotments or other appropriate authorizations have been made in writing under the authority of the Director-General.

10.3 The Director-General may make such *ex-gratia* payments as he deems to be necessary in the interest of the Organization, provided that a statement of such payments shall be submitted to the General Conference with the final accounts.

10.4 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 shall be submitted to the External Auditor with the final accounts.

10.5 Tenders for equipment, supplies and other requirements shall be invited by advertisement, except where the Director-General deems that, in the interests of the Organization, a departure from the rule is desirable.

Article 11  **The accounts**

11.1 The Director-General shall maintain such accounting records as are necessary and shall submit final accounts showing for the financial period to which they relate:
(a) The income and expenditure of all funds;
(b) The status of appropriations, including:
   (i) The original budget appropriations;
   (ii) The appropriations as modified by any transfers;
   (iii) Credits, if any, other than the appropriations voted by
       the General Conference;
   (iv) The amounts charged against those appropriations
       and/or other credits;
(c) The assets and liabilities of the Organization.
He shall also give such other information as may be appropriate

to indicate the current financial position of the Organization.

11.2 At the end of the first year of the financial period, the Director-
General shall submit an interim financial report on significant
financial developments which have affected the Organization during
the first year of the financial period together with unaudited
financial statements.

11.3 The annual accounts of the Organization shall be presented in dollars
of the United States of America. Accounting records may,
however, be kept in such currency or currencies as the Director-
General may deem necessary.

11.4 Appropriate separate accounts shall be maintained for all Trust
Funds, Reserve and Special Accounts.

11.5 The final accounts shall be submitted by the Director-General to
the External Auditor no later than 31 March following the end of
the period to which they relate.

Article 12

External audit

12.1 An External Auditor, who shall be the Auditor-General (or an
officer holding the equivalent title) of a Member State, shall be
appointed, in the manner decided by the General Conference, for
the purpose of auditing the accounts of the three financial periods
following his appointment. At its session immediately preceding
the end of his mandate the General Conference shall again appoint
an External Auditor.

12.2 If the External Auditor ceases to hold office as Auditor-General
in his own country, his tenure of office as External Auditor shall
thereupon be terminated and he shall be succeeded as External
Auditor by his successor as Auditor-General. The External Auditor
may not otherwise be removed during his tenure of office except
by the General Conference.

12.3 The audit shall be conducted in conformity with generally
accepted common auditing standards and, subject to any special
directions of the General Conference, in accordance with the Additional Terms of Reference set out in the appendix to these Regulations.

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

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

12.6 The General Conference may request the External Auditor to perform certain specific examinations and to issue separate reports on the results. Acting under the authority of the General Conference, the Executive Board may do likewise.

12.7 The Director-General shall provide the External Auditor with the facilities he may require in the performance of the audit.

12.8 For the purpose of making a local or special examination or of effecting economies of audit cost, the External Auditor may engage the services of any national Auditor-General (or equivalent title) or commercial public auditors of known repute or any other person or firm who, in the opinion of the External Auditor, is technically qualified.

12.9 The External Auditor shall issue a report on the audit of the final accounts and relevant schedules, which shall include such information as he deems necessary in regard to matters referred to in Financial Regulation 12.4 and in the Additional Terms of Reference.

12.10 The External Auditor’s reports together with the audited final accounts shall be transmitted through the Executive Board to the General Conference in accordance with directions given by the General Conference. The Executive Board shall examine the interim financial reports and supporting unaudited financial statements prepared by the Director-General pursuant to Financial Regulation 11.2 and the final audited accounts and reports of the External Auditor and shall forward them to the General Conference with such comments as it deems appropriate.

12.11 The External Auditor shall audit the annual accounts of such funds as the Director-General may exceptionally deem necessary.

Article 13 Resolutions involving expenditures

13.1 No committee, commission or other competent body shall take a decision involving expenditure unless it has before it a report from the Director-General on the administrative and financial implications of the proposal.
13.2 Where, in the opinion of the Director-General, the proposed expenditure cannot be made from the existing appropriations, it shall not be incurred until the General Conference has made the necessary appropriations.

Article 14 **General provisions**

14.1 These Regulations shall be effective as of the date of their approval by the General Conference, and may be amended only by the General Conference.

14.2 In case of doubt as to the interpretation and application of any of the foregoing Regulations, the Director-General is authorized to rule thereon.

14.3 No article or articles of the present Regulations may be suspended except by decision of the General Conference, taken by a two-thirds majority of the members present and voting. The duration of such suspension shall be specified by the General Conference.

Article 15 **Special provisions**

15.1 In the preparation of the budget the Director-General shall consult with the Secretary-General of the United Nations in accordance with Article XVI, Section 3(a), of the Agreement between the United Nations and UNESCO.

15.2 Rules made by the Director-General to carry out the provisions of these Regulations shall be communicated to the Executive Board for approval.
ANNEX

Additional Terms of Reference Governing the Audit

Adopted by the General Conference at its seventeenth session (17 C/Resolutions, 19.2) and amended at its twenty-second (22 C/Resolutions, 32.1) and twenty-third (23 C/Resolutions, 36.1) sessions.1

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 confidential shall be made available on application. The External Auditor and his staff shall

1. These Additional Terms of Reference replace the “Principles to Govern Audit Procedures” adopted by the General Conference at its sixth session.
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 General Conference 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 immediately communicated 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 Director-General and the responsibility of the External Auditor;
   (c) A reference to the audit standards followed;
   (d) A description of the work performed;
   (e) An expression of opinion on the financial statements as to whether:
      (i) the financial statements present fairly the financial position as at the end of the period and the results of the operations for the period;
      (ii) the financial statements were prepared in accordance with the stated accounting policies;
      (iii) 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 name and position of the External Auditor;
   (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 to the General Conference on the financial operations of the period should mention:
   (a) The type and scope of his examination;
   (b) Matters affecting the completeness or accuracy of the accounts, including where appropriate:
      (i) Information necessary 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) Expenditures not properly substantiated;
(v) 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 General Conference such as:
(i) Cases of fraud or presumptive fraud;
(ii) Wasteful or improper expenditure of the Organization’s money or other assets (notwithstanding that the accounting for the transaction may be correct);
(iii) 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 General 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 stocktaking and examination of the records. In addition, the reports may contain reference to:
(e) Transactions accounted for in a previous financial period concerning which further information has been obtained or transactions in a later financial period concerning which it seems desirable that the General Conference 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 General Conference or to the Executive Board or to the Director-General. Additionally, the External Auditor may at any time
present reports to the Executive Board and the Director-General if in the External Auditor’s opinion there are significant, urgent or pressing matters that need to be reported.

8. Whenever the External Auditor’s scope of audit is restricted, or whenever he is unable to obtain sufficient evidence, he 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 which, in his opinion, is insignificant in all respects.