

**MC/2261**

**Original: English  
20 October 2008**

**NINETY-SIXTH SESSION**

---

**REVISION OF THE FINANCIAL REGULATIONS**

## REVISION OF THE FINANCIAL REGULATIONS

1. Following discussions with Member States concerning the sources and application of Discretionary Income (DI) and the planned adoption of International Public Sector Accounting Standards (IPSAS) by the Organization as a basis for IOM's financial statements, this document provides background information on these two subjects and highlights proposed changes to the relevant Articles of IOM's Financial Regulations.
2. The objective of the revision of the Financial Regulations is to:
  - (a) incorporate the framework to formalize the application of DI, in particular for project-related overhead;
  - (b) incorporate IPSAS as the basis for the preparation of IOM's financial statements; and
  - (c) reflect other relevant changes, particularly changes in the governing bodies' structure.
3. The draft revision of the Financial Regulations is outlined in Annex I with appropriate background and explanations provided in the sections below. To facilitate review of the changes, Annex I contains the following three columns:
  - (a) Current Financial Regulations
  - (b) Proposed Revision of the Financial Regulations
  - (c) Notes/comments highlighting reasons for revision to relevant Articles of the Financial Regulations

### Section I – Discretionary Income

4. In response to a request from Member States, the Administration prepared document SCPF/15 (Annex III), entitled "Background Information on Discretionary Income" which was discussed at the Second Session of the Standing Committee on Programmes and Finance held on 5 and 6 May 2008.
5. Some Member States highlighted the need to update IOM's Financial Regulations in order to provide a formal framework for the application of DI, in particular project-related overhead. This was considered to be of importance, particularly with the increase in the amount of DI and its significance in providing supplementary funding to cover core structures that should be covered from the Administrative Part of the Budget.
6. Discretionary Income is derived from three sources:
  - (a) unearmarked contributions are voluntary contributions to the Organization to cover general support functions. This source of income is relatively small and is gradually decreasing in size as the preference of most donors is to earmark funding for specific initiatives.
  - (b) interest income is generated from the balances on various IOM bank accounts. This depends on market rates and the level of cash balances held.

- (c) project-related overhead is a percentage charged to each operational project to cover indirect costs necessary for project support, such as general management, administration and security costs, both at Headquarters and in the Field which cannot be easily identified with a specific activity. The level of income derived from this particular source depends on the level of operations. The rate has been revised through the following Council Resolutions:
- (i) Council Resolution No. 1076 dated 4 December 2002 on “Programme and Budget for 2003” increased the project-related overhead rate from 9.5 to 12 per cent to meet the financial requirements of participation in the UNSECOORD mechanism (now known as UNDSS) for staff security.
  - (ii) Council Resolution No. 1110 dated 3 December 2004 on “Use of Project-related Overhead Income to Cover Staff Positions and Support Costs of Administrative Nature” stated that the income generated from the 9.5 per cent project-related overhead shall be used to cover expenditures of an administrative nature (staff and support costs) which support several projects and/or activities, provided such costs are limited to the variable needs of the Organization and prior approval by the governing bodies is granted when deciding on the Programme and Budget for the Organization, or revisions thereof.
  - (iii) Council Resolution No. 1111 dated 3 December 2004 on “Use of Project-related Overhead Income to Cover Staff Security Costs” stated that the 2.5 per cent increase in project-related overhead income shall be used to cover the costs of participation in UNSECOORD or any successor United Nations mechanism, MOSS compliance requirements and other staff security costs; and the use of the 2.5 per cent project-related overhead shall be included in the Programme and Budget of the Organization or revisions thereof, and the Financial Report will include a statement of income from the 2.5 per cent overhead and expenditures for security costs accompanied by relevant explanations.
  - (iv) Council Resolution No. 1129 dated 2 December 2005 on “Project-related Overhead” revised the basis and rate at which the project-related overhead charge is levied, from 12 per cent on staff and office costs to 5 per cent on total costs, for all project activities. Exception is made for resettlement and return programmes where international transportation costs make up a significant portion of the total activity costs and where the existing rate of 12 per cent overhead on staff and office costs will be maintained. It requested the Director General to continue maintaining a mechanism to transparently monitor income generated from 1 per cent out of the total 5 per cent new overhead and 2.5 per cent out of the 12 per cent overhead for payment of the cost of IOM’s participation in UNDSS, the cost of MOSS compliance requirements and other staff security costs. The use of project-related overhead income is to be included in the Programme and Budget of the Organization or revisions thereof, and expenditures relating to the use of that income to be reported in the annual Financial Report.

7. Within the context of existing Council Resolutions mentioned above and taking into consideration the requests by Member States, the revised Financial Regulations, as presented in Annex I, include appropriate changes in Articles 3 and 6 that will provide the necessary institutional framework to formalize the application of DI, in particular project-related overhead.

8. Consequently, the Council resolution that will adopt future Programme and Budget proposals will incorporate an additional operative paragraph whereby the Council will:

“adopt the Operational Part of the Budget as well as the application of project-related overhead to be applied as supplementary funding to the Administrative Part of the Budget in support of the Organization’s core structure, including staff security and indirect costs that cannot be attributed to specific projects.”

## **Section II - International Public Sector Accounting Standards**

9. As has been reported in previous consultations with Member States, an increasing number of public sector organizations are moving towards International Public Sector Accounting Standards (IPSAS) compliance. The General Assembly of the United Nations (UN) approved the adoption of IPSAS in its Sixtieth Session in July 2006 requiring that all UN organizations be IPSAS compliant by 2010. The aim is to improve the quality of financial reporting and in doing so increase governance, accountability and transparency across the organizations of the UN system. An extract of the document (IC/2007/10) on IPSAS, as presented at the Informal Consultations on Budget and Finance Matters in June 2007 by the Administration to Member States, is provided as Annex IV.

10. IOM aims to adopt IPSAS in a phased implementation process, in close consultation and coordination with IOM’s external auditors, the Office of the Auditor General of Norway. The external auditors will provide the Administration with guidance and feedback during the implementation phase, and subsequently will express their opinion on the extent to which IOM’s financial statements comply with IPSAS.

11. The attached revised Financial Regulations outlined in Annex I include appropriate changes in Articles 4 and 11 to establish IPSAS as the basis for IOM’s financial statements.

## **Section III – Other changes**

12. Whilst the Financial Regulations are under revision, some other changes are also proposed to reflect recent changes to the governance structure of IOM. In this regard, the Standing Committee on Programmes and Finance (SCPF) reviews the budget and financial proposals and makes recommendations to the Council or Executive Committee, as applicable.

13. A draft resolution for adopting the amendments to the Financial Regulations is presented in Annex II.

Annex I

CURRENT FINANCIAL REGULATIONS <sup>1</sup>	PROPOSED REVISION OF THE FINANCIAL REGULATIONS	NOTES/COMMENTS
<p style="text-align: center;"><i>ARTICLE 1</i> <i>Applicability</i></p> <p>1.1 These Regulations shall govern the financial administration of the International Organization for Migration, hereinafter referred to as the Organization.</p>	<p style="text-align: center;"><i>ARTICLE 1</i> <i>Applicability</i></p> <p>1.1 These Regulations shall govern the financial administration of the International Organization for Migration, hereinafter referred to as the Organization.</p>	<p style="text-align: center;">No change</p>
<p style="text-align: center;"><i>ARTICLE 2</i> <i>Financial Year</i></p> <p>2.1 The financial year shall be the calendar year from 1 January to 31 December.</p>	<p style="text-align: center;"><i>ARTICLE 2</i> <i>Financial Year</i></p> <p>2.1 The financial year shall be the calendar year from 1 January to 31 December.</p>	<p style="text-align: center;">No change</p>

<sup>1</sup> Adopted by the Council at its First Session, in accordance with Resolution No. 84 (I), and last amended by Resolution No. 68 (LXXV) of the Executive Committee (effective 14 November 1989).

CURRENT FINANCIAL REGULATIONS <sup>1</sup>	PROPOSED REVISION OF THE FINANCIAL REGULATIONS	NOTES/COMMENTS
<p style="text-align: center;"><i>ARTICLE 3 Budget</i></p> <p>3.1 (a) The Director General shall prepare and submit to the Council, through the Executive Committee, a budget of estimated income and expenditure for the following financial year. A copy of the budget shall be transmitted to all Member States at least four weeks prior to the opening of the session of the Executive Committee.</p> <p>(b) Amendments to the budget, due to changing circumstances, may be submitted by the Director General to subsequent sessions of the Executive Committee and the Council.</p>	<p style="text-align: center;"><i>ARTICLE 3 Budget</i></p> <p>3.1 (a) The Director General shall prepare and submit to the Council, through the <del>Executive Committee</del> <u>Standing Committee on Programmes and Finance</u><sup>2</sup>, a budget of estimated income and expenditure for the following financial year. A copy of the budget shall be transmitted to all Member States at least <del>four</del><u>two</u> weeks prior to the opening of the session of the <del>Executive Committee</del><u>Standing Committee on Programmes and Finance</u>.</p> <p>(b) Amendments to the budget, due to changing circumstances, may be submitted by the Director General to subsequent sessions of the <del>Executive Committee</del><u>Standing Committee on Programmes and Finance</u> and the Council.</p>	<p>Change from Executive Committee to Standing Committee on Programmes and Finance, following the adoption of Council Resolution No. 1151 of 7 June 2007 entitled “Establishment of the Standing Committee on Programmes and Finance”.</p> <p>To adjust the period from 4 to 2 weeks as per Council Resolution No. 1160 of 30 November 2007 entitled “Rules of Procedure for the Standing Committee on Programmes and Finance”.</p> <p>Change from Executive Committee to Standing Committee on Programmes and Finance, following the adoption of Council Resolution No. 1151 of 7 June 2007 entitled “Establishment of the Standing Committee on Programmes and Finance”.</p>

<sup>2</sup> The Executive Committee will continue to exercise its constitutional functions until such time as the 1998 amendments to the Constitution come into force.

CURRENT FINANCIAL REGULATIONS <sup>1</sup>	PROPOSED REVISION OF THE FINANCIAL REGULATIONS	NOTES/COMMENTS
<p>3.2 The budget shall show in separate parts:</p> <p>(a) estimated administrative income and expenditure expressed in Swiss francs;</p> <p>(b) estimated operational income and expenditure expressed in US dollars.</p> <p>The Administrative and Operational parts of the budget shall be classified under programmes and items corresponding to the various types of activities or expenditure as necessary, and accompanied by such information annexes and explanatory statements as may be specifically requested by the Council or as may be considered necessary and useful by the Director General.</p>	<p>3.2 <del>(a)</del> The budget shall show in separate parts:</p> <p><del>(a)(i)</del> estimated administrative income and expenditure expressed in Swiss francs;</p> <p><del>(b)(ii)</del> estimated operational income and expenditure expressed in US dollars, <u>to include estimated Discretionary Income and expenditure expressed in US dollars, with a breakdown between miscellaneous and project-related overhead income</u></p> <p><del>(b)</del> The Administrative <u>Part of the Budget</u> and Operational Part of the Budget, <u>including Discretionary Income</u>, shall be classified under programmes and items corresponding to the various types of activities or expenditure as necessary, and accompanied by such information annexes and explanatory statements as may be specifically requested by the Council or as may be considered necessary and useful by the Director General.</p>	<p>To incorporate the framework for the application of Discretionary Income (DI) and the principal components of DI, namely miscellaneous income and project-related overhead income.</p> <p>To highlight DI as a separate section that will require Member States approval.</p>

CURRENT FINANCIAL REGULATIONS <sup>1</sup>	PROPOSED REVISION OF THE FINANCIAL REGULATIONS	NOTES/COMMENTS
<p>3.3 The Council shall approve the budget for the following financial period after consideration of and report on the proposed budget by the Executive Committee and the Sub-Committee on Budget and Finance.</p>	<p>3.3 The Council shall approve the budget for the following financial period after consideration of and report on the proposed budget by the <del>Executive Committee</del><u>Standing Committee on Programmes and Finance</u><del> and the Sub-Committee on Budget and Finance.</del></p>	<p>Change from Executive Committee and Sub-Committee on Budget and Finance to Standing Committee on Programmes and Finance, following the adoption of Council Resolution No. 1151 of 7 June 2007 entitled “Establishment of the Standing Committee on Programmes and Finance”.</p>
<p style="text-align: center;"><i>ARTICLE 4</i> <i>Administration of the Budget</i></p> <p>4.1 Expenditure appropriations approved by the Council shall constitute an authorization to the Director General to incur obligations and make payments for the purposes and up to the amounts approved and within the limit of funds available.</p> <p>4.2 Appropriation shall be available for obligations incurred during the financial year to which they relate.</p>	<p style="text-align: center;"><i>ARTICLE 4</i> <i>Administration of the Budget</i></p> <p>4.1 Expenditure appropriations approved by the Council shall constitute an authorization to the Director General to incur obligations and make payments for the purposes and up to the amounts approved and within the limit of funds available.</p> <p>4.2 Appropriation shall be available for obligations incurred during the financial year to which they relate.</p>	

CURRENT FINANCIAL REGULATIONS <sup>1</sup>	PROPOSED REVISION OF THE FINANCIAL REGULATIONS	NOTES/COMMENTS
<p>4.3 Appropriations required at the end of a financial year to cover unliquidated obligations incurred during the year in respect of goods supplied and services rendered shall remain available for twelve months following the end of the financial year to which they relate to defray the payment of these obligations. The balance of the appropriations for a financial year shall be surrendered at the end of that financial year.</p>	<p>4.3 Appropriations required at the end of a financial year to cover <u>accrued expenses for unliquidated obligations incurred during the year in respect of</u> goods supplied and services rendered shall remain available for twelve months following the end of the financial year to which they relate to defray the payment of these obligations. The balance of the appropriations for a financial year shall be surrendered at the end of that financial year.</p>	<p>In conformity with accrual-based accounting.</p>
<p>4.4 At the end of the twelve months' period provided in Article 4.3, the then remaining balance of any appropriation not liquidated will be surrendered. Appropriation for any unliquidated obligation for a prior year shall at that time be cancelled or when the obligation remains a valid charge transferred to the budget of the year in which the obligation is liquidated.</p>	<p>4.4 At the end of the twelve months' period provided in Article 4.3, the then remaining balance of any appropriation not liquidated will be surrendered. Appropriation for any <u>unliquidated obligation accrued expenses</u> for a prior year shall at that time be cancelled or when the obligation remains a valid charge transferred to the budget of the year in which the obligation is liquidated.</p>	<p>In conformity with accrual-based accounting.</p>
<p>4.5 (a) Transfers of appropriations between the Administrative and the Operational parts of the budget may be made only upon authorization by the Council.</p>	<p>4.5 (a) Transfers of appropriations between the Administrative and the Operational Parts of the Budget may be made only upon authorization by the Council.</p>	

CURRENT FINANCIAL REGULATIONS <sup>1</sup>	PROPOSED REVISION OF THE FINANCIAL REGULATIONS	NOTES/COMMENTS
<p>(b) The Director General is authorized, except for contributions which have been specifically earmarked, to make transfers of appropriations between items of the Administrative part of the budget up to an amount not exceeding 10 per cent of the amount appropriated for the item from which the transfer is made. Transfers exceeding 10 per cent may be made only upon authorization by the Council.</p> <p>(c) The Director General is also authorized to make transfers between programmes of the Operational part of the budget except for contributions which have been specifically earmarked.</p> <p>(d) The Director General will report all such transfers to the next session of the Council together with a written explanation thereof.</p> <p>4.6 The Director General shall undertake partially reimbursable or non-reimbursable operational expenditure only in accordance with the policies established by the Council.</p>	<p>(b) The Director General is authorized, except for contributions which have been specifically earmarked, to make transfers of appropriations between items of the Administrative Part of the Budget up to an amount not exceeding 10 per cent of the amount appropriated for the item from which the transfer is made. Transfers exceeding 10 per cent may be made only upon authorization by the Council.</p> <p>(c) The Director General is also authorized to make transfers between programmes of the Operational Part of the Budget except for contributions which have been specifically earmarked.</p> <p>(d) The Director General will report all such transfers to the next session of the Council together with a written explanation thereof.</p> <p>4.6 The Director General shall undertake partially reimbursable or non-reimbursable operational expenditure only in accordance with the policies established by the Council.</p>	

CURRENT FINANCIAL REGULATIONS <sup>1</sup>	PROPOSED REVISION OF THE FINANCIAL REGULATIONS	NOTES/COMMENTS
<p>4.7 Subject to the provisions of Article 4.6, the Director General is authorized, in exceptional circumstances, to incur obligations and make payments in respect of operational projects which have not been included in the approved Operational part of the budget provided that:</p> <p>(a) such additional operational projects are of an emergency nature and could not be foreseen at the time the budget was approved and that it is clearly undesirable to await approval by the next meeting of the Council;</p> <p>(b) the financial and other resources required to carry out such additional projects are either available to the Organization or committed by contributing States or other donors;</p> <p>(c) the Director General includes such additional projects with an explanation thereof in an amended budget submitted to the next regular or special session of the Executive Committee or the Council.</p>	<p>4.7 Subject to the provisions of Article 4.6, the Director General is authorized, in exceptional circumstances, to incur obligations and make payments in respect of operational projects which have not been included in the approved Operational part of the budget provided that:</p> <p>(a) such additional operational projects are of an emergency nature and could not be foreseen at the time the budget was approved and that it is clearly undesirable to await approval by the next session of the Council;</p> <p>(b) the financial and other resources required to carry out such additional projects are either available to the Organization or committed by contributing States or other donors;</p> <p>(c) the Director General includes such additional projects with an explanation thereof in an amended budget submitted to the next <del>regular or special</del> session of the <u>Executive Committee Standing Committee on Programmes and Finance</u> or the Council.</p>	<p>Change from Executive Committee to Standing Committee on Programmes and Finance, following the adoption of Council Resolution No. 1151 of 7 June 2007 entitled “Establishment of the Standing Committee on Programmes and Finance”.</p>

CURRENT FINANCIAL REGULATIONS <sup>1</sup>	PROPOSED REVISION OF THE FINANCIAL REGULATIONS	NOTES/COMMENTS
<p>4.8 The funds appropriated for special operational projects which have not become operational during the period of twelve months following the end of the financial year for which they were approved, shall be surrendered automatically unless the Council decides to maintain the appropriation for a further period.</p>	<p>4.8 The funds appropriated for special operational projects which have not become operational during the period of twelve months following the end of the financial year for which they were approved, shall be surrendered automatically unless the Council decides to maintain the appropriation for a further period.</p>	
<p style="text-align: center;"><i>ARTICLE 5 Contributions</i></p> <p>5.1 Every Member State shall be required to contribute to the Administrative part of the budget. Contributions shall be expressed in Swiss francs and shall be made in freely convertible currencies, except to the extent that the Director General finds that non-convertible currencies may be utilized by the Organization. These contributions shall be due at the beginning of the financial year to which they relate and shall be paid promptly.</p>	<p style="text-align: center;"><i>ARTICLE 5 Contributions</i></p> <p>5.1 Every Member State shall be required to contribute to the Administrative Part of the Budget. Contributions shall be expressed in Swiss francs and shall be made in freely convertible currencies, except to the extent that the Director General finds that non-convertible currencies may be utilized by the Organization. These contributions shall be due at the beginning of the financial year to which they relate and shall be paid promptly.</p>	

<b>CURRENT FINANCIAL REGULATIONS<sup>1</sup></b>	<b>PROPOSED REVISION OF THE FINANCIAL REGULATIONS</b>	<b>NOTES/COMMENTS</b>
<p>5.2 (a) Contributions to the Operational part of the budget shall be voluntary. They may be for the general operations of the Organization, or for specific programmes in which the contributing State or donor is directly concerned and may be made in cash and/or in kind.</p> <p>(b) Voluntary contributions for specific operational programmes, which Member States or donors have agreed to pay, shall be due and payable in advance. Such advances shall normally be made at the beginning of each quarter and in amounts not less than the expenditure which it is estimated will be incurred in that quarter.</p> <p>(c) The terms and conditions under which contributions or advances to the Operational part of the budget are made shall govern the disposal of any uncommitted portion thereof in the event that the Member State which has contributed such funds withdraws from the Organization pursuant to Article 3 of the Constitution. Uncommitted and unused contributions of other donors will also be disposed of in accordance with the terms under which the contributions were made.</p>	<p>5.2 (a) Contributions to the Operational Part of the Budget shall be voluntary. They may be for the general operations of the Organization, or for specific programmes in which the contributing State or donor is directly concerned and may be made in cash and/or in kind.</p> <p>(b) Voluntary contributions for specific operational programmes, which Member States or donors have agreed to pay, shall be due and payable in advance. Such advances shall normally be made at the beginning of each quarter and in amounts not less than the expenditure which it is estimated will be incurred in that quarter.</p> <p>(c) The terms and conditions under which contributions or advances to the Operational Part of the Budget are made shall govern the disposal of any uncommitted portion thereof in the event that the Member State which has contributed such funds withdraws from the Organization pursuant to Article 3 of the Constitution. Uncommitted and unused contributions of other donors will also be disposed of in accordance with the terms under which the contributions were made.</p>	

CURRENT FINANCIAL REGULATIONS <sup>1</sup>	PROPOSED REVISION OF THE FINANCIAL REGULATIONS	NOTES/COMMENTS
5.3 The Director General may also receive reimbursements in cash, in kind or in services in respect of activities undertaken by the Organization.	5.3 The Director General may also receive reimbursements in cash, in kind or in services in respect of activities undertaken by the Organization.	
5.4 The Director General may solicit and accept voluntary contributions from sources other than States, provided that the purposes for which the contribution is made are consistent with the purposes and functions of the Organization.	5.4 The Director General may solicit and accept voluntary contributions from sources other than States, provided that the purposes for which the contribution is made are consistent with the purposes and functions of the Organization.	
5.5 The Director General may reject offers of any funds or services which are not appropriate or cannot be utilized for the purposes of the Organization.	5.5 The Director General may reject offers of any funds or services which are not appropriate or cannot be utilized for the purposes of the Organization.	
5.6 The Director General shall report to the Council, through the Executive Committee, any offers of funds accepted or rejected under Articles 5.4 and 5.5.	5.6 The Director General shall report to the Council, through the <del>Executive Committee</del> <u>Standing Committee on Programmes and Finance</u> , any offers of funds accepted or rejected under Articles 5.4 and 5.5.	Change from Executive Committee to Standing Committee on Programmes and Finance, following the adoption of Council Resolution No. 1151 of 7 June 2007 entitled “Establishment of the Standing Committee on Programmes and Finance”.

CURRENT FINANCIAL REGULATIONS <sup>1</sup>	PROPOSED REVISION OF THE FINANCIAL REGULATIONS	NOTES/COMMENTS
<p style="text-align: center;"><i>ARTICLE 6</i> <i>Miscellaneous Income</i></p> <p>6.1 Income arising from investments of funds as defined in Article 7.2, foreign exchange transactions, sale of equipment or other assets shall be credited to miscellaneous income and reported in the annual financial statements. Miscellaneous income shall be attributed to the appropriate part of the budget.</p>	<p style="text-align: center;"><i>ARTICLE 6</i> <i>Miscellaneous Income</i> <i>Discretionary Income</i></p> <p><u>6.1 Income arising from project-related overhead<sup>3</sup> shall be applied as supplementary funding to the Administrative Part of the Budget in support of the Organization's core structure, including staff security and indirect costs that cannot be attributed to specific projects.</u></p> <p><del>6.1.2</del> <u>Income arising from unearmarked contributions, interest income, investments of funds as defined in Article 7.2, foreign exchange transactions, sale of equipment or other assets shall be credited to miscellaneous income and reported in the annual financial statements applied to cover general support functions and activities, including for the 1035 Facility.<sup>4</sup> Miscellaneous income shall be attributed to the appropriate part of the budget.</u></p>	<p>To incorporate the framework for the application of DI and the principal components of DI, namely miscellaneous income and project-related overhead income.</p>

<sup>3</sup> Council Resolution No. 1110 of 3 December 2004 on the "Use of Project-related Overhead Income to Cover Staff Positions and Support Costs of Administrative Nature" and Council Resolution No. 1111 of 3 December 2004 on the "Use of Project-related Overhead Income to Cover Staff Security Costs".

<sup>4</sup> Council Resolution No. 1035 of 29 November 2000 requesting the Director General to allocate funds from DI for the development of migration projects for developing Member States and Member States with economies in transition, and Council Resolution No. 1150 of 7 June 2007 that increased funding (Line 2) for the Facility.

CURRENT FINANCIAL REGULATIONS <sup>1</sup>	PROPOSED REVISION OF THE FINANCIAL REGULATIONS	NOTES/COMMENTS
	<p><u>6.3 The Director General shall report to the Council, through the Standing Committee on Programmes and Finance, on the sources and application of Discretionary Income in the Programme and Budget and financial statements.</u></p>	
<p style="text-align: center;"><i>ARTICLE 7 Investment of Funds</i></p> <p>7.1 The Director General may make short-term investments of monies not needed for immediate requirements and shall inform the Executive Committee of such investments.</p> <p>7.2 Interest income from investments shall be credited to miscellaneous income unless otherwise provided in the regulations, rules or resolutions relating to a fund or account, or as specified by a contributor.</p>	<p style="text-align: center;"><i>ARTICLE 7 Investment of Funds</i></p> <p>7.1 The Director General may make short-term investments of monies not needed for immediate requirements and shall inform the <del>Executive Committee</del><u>Standing Committee on Programmes and Finance</u> of such investments.</p> <p>7.2 Interest income from investments shall be credited to miscellaneous income unless otherwise provided in the regulations, rules or resolutions relating to a fund or account, or as specified by a contributor.</p>	<p>Change from Executive Committee to Standing Committee on Programmes and Finance, following the adoption of Council Resolution No. 1151 of 7 June 2007 entitled “Establishment of the Standing Committee on Programmes and Finance”.</p>

CURRENT FINANCIAL REGULATIONS <sup>1</sup>	PROPOSED REVISION OF THE FINANCIAL REGULATIONS	NOTES/COMMENTS
<p style="text-align: center;"><i>ARTICLE 8</i> <i>Funds in Special Accounts</i></p> <p>8.1 Trust funds, reserves and special accounts may be established by the Director General.</p> <p>8.2 The purpose and limits of each trust fund, reserve and special account shall be clearly defined. Unless otherwise specifically provided by the Council, such funds and accounts shall be administered in accordance with the present Regulations.</p> <p>8.3 The Director General shall report all such trust funds, reserves and special accounts to the Council, through the Executive Committee, as at the end of each financial year.</p>	<p style="text-align: center;"><i>ARTICLE 8</i> <i>Funds in Special Accounts</i></p> <p>8.1 Trust funds, reserves and special accounts may be established by the Director General.</p> <p>8.2 The purpose and limits of each trust fund, reserve and special account shall be clearly defined. Unless otherwise specifically provided by the Council, such funds and accounts shall be administered in accordance with the present Regulations.</p> <p>8.3 The Director General shall report all such trust funds, reserves and special accounts, to the Council, through the <del>Executive Committee</del> <u>Standing Committee on Programmes and Finance</u>, as at the end of each financial year.</p>	<p>Change from Executive Committee to Standing Committee on Programmes and Finance, following the adoption of Council Resolution No. 1151 of 7 June 2007 entitled “Establishment of the Standing Committee on Programmes and Finance”.</p>
<p style="text-align: center;"><i>ARTICLE 9</i> <i>Custody of Funds</i></p> <p>9.1 The Director General shall designate the bank or banks in which the funds of the Organization shall be kept.</p>	<p style="text-align: center;"><i>ARTICLE 9</i> <i>Custody of Funds</i></p> <p>9.1 The Director General shall designate the bank or banks in which the funds of the Organization shall be kept.</p>	<p style="text-align: center;">No change</p>

CURRENT FINANCIAL REGULATIONS <sup>1</sup>	PROPOSED REVISION OF THE FINANCIAL REGULATIONS	NOTES/COMMENTS
<p style="text-align: center;"><i>ARTICLE 10</i> <i>Internal Control</i></p> <p>10.1 The Director General shall:</p> <p>(a) establish detailed financial rules and procedures in order to ensure effective financial administration and the exercise of economy and efficiency;</p> <p>(b) ensure that all payments are made on the basis of supporting documentary evidence which proves that the services or goods have been or will be received and that such payments have not previously been made;</p> <p>(c) designate the officers who may receive money and supplies, incur obligations and make payments on behalf of the Organization;</p> <p>(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:</p>	<p style="text-align: center;"><i>ARTICLE 10</i> <i>Internal Control</i></p> <p>10.1 The Director General shall:</p> <p>(a) establish detailed financial rules and procedures in order to ensure effective financial administration and the exercise of economy and efficiency;</p> <p>(b) ensure that all payments are made on the basis of supporting documentary evidence which proves that the services or goods have been or will be received and that such payments have not previously been made;</p> <p>(c) designate the officers who may receive money and supplies, incur obligations and make payments on behalf of the Organization;</p> <p>(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:</p>	<p style="text-align: center;">No change</p>

<b>CURRENT FINANCIAL REGULATIONS<sup>1</sup></b>	<b>PROPOSED REVISION OF THE FINANCIAL REGULATIONS</b>	<b>NOTES/COMMENTS</b>
<p>(i) the proper receipt, custody and disposal of all contributions made in cash, in kind or in services;</p> <p>(ii) that obligations are incurred only with appropriate written authority;</p> <p>(iii) that obligations incurred and expenditures made are within the approved budget and within the purposes and rules related to trust funds, reserves and special accounts;</p> <p>(iv) the most economic and efficient use of all the resources of the Organization;</p> <p>(v) the orderly accounting and the completeness and accuracy of records.</p> <p>10.2 The Director General may, after full investigation, authorize the write-off of losses of cash or other assets. A statement of all such write-offs shall be submitted to the External Auditors and reported in the annual financial statements.</p>	<p>(i) the proper receipt, custody and disposal of all contributions made in cash, in kind or in services;</p> <p>(ii) that obligations are incurred only with appropriate written authority;</p> <p>(iii) that obligations incurred and expenditures made are within the approved budget and within the purposes and rules related to trust funds, reserves and special accounts;</p> <p>(iv) the most economic and efficient use of all the resources of the Organization;</p> <p>(v) the orderly accounting and the completeness and accuracy of records.</p> <p>10.2 The Director General may, after full investigation, authorize the write-off of losses of cash or other assets. A statement of all such write-offs shall be submitted to the External Auditors and reported in the annual financial statements.</p>	

CURRENT FINANCIAL REGULATIONS <sup>1</sup>	PROPOSED REVISION OF THE FINANCIAL REGULATIONS	NOTES/COMMENTS
<p>10.3 Tenders for the purchases of equipment, supplies and other requirements shall be advertised or competitive offers requested. The same procedure shall apply in case of sale of surplus equipment and supplies. Exceptions to these rules can only be made where the Director General deems it is in the best interests of the Organization.</p>	<p>10.3 Tenders for the purchases of equipment, supplies and other requirements shall be advertised or competitive offers requested. The same procedure shall apply in case of sale of surplus equipment and supplies. Exceptions to these rules can only be made where the Director General deems it is in the best interests of the Organization.</p>	
<p style="text-align: center;"><i>ARTICLE 11</i> <i>Accounts and Reports</i></p> <p>11.1 The Director General shall maintain such accounting records as are necessary and shall submit to the Council, through the Executive Committee, the following financial reports:</p> <p>(a) annual financial statements, as at the close of each financial year or the date of termination of the Organization's activities, comprising:</p>	<p style="text-align: center;"><i>ARTICLE 11</i> <i>Accounts and Reports</i></p> <p>11.1 The Director General shall maintain such accounting records as are necessary and shall submit to the Council, through the <del>Executive Committee</del> <u>Standing Committee on Programmes and Finance</u>, the following financial reports:</p> <p>(a) annual financial statements, as at the close of each financial year or the date of termination of the Organization's activities <u>prepared in compliance with International Public Sector Accounting Standards (IPSAS) and</u>; comprising:</p>	<p>Change from Executive Committee to Standing Committee on Programmes and Finance, following the adoption of Council Resolution No. 1151 of 7 June 2007 entitled "Establishment of the Standing Committee on Programmes and Finance".</p> <p>To establish IPSAS as the basis for the preparation of IOM's financial statements.</p>

CURRENT FINANCIAL REGULATIONS <sup>1</sup>	PROPOSED REVISION OF THE FINANCIAL REGULATIONS	NOTES/COMMENTS
<p>(i) statements of assets and liabilities of the Organization's own funds and of other funds administered by the Organization;</p> <p>(ii) statements of resources and expenditure of the Organization's administrative and operational programmes and of other funds administered by the Organization;</p> <p>(iii) such other information as is considered necessary to show clearly the financial position and the resources and expenditure of the Organization's activities;</p> <p>(b) such other reports as requested or deemed necessary.</p> <p>11.2 The reports shall be presented in terms of US dollars; for administrative income and expenditure, they shall also be presented in terms of Swiss francs. Accounting records may, however, be kept in such currency or currencies as the Director General may deem appropriate.</p>	<p>(i) statements of assets and liabilities of the Organization's own funds and of other funds administered by the Organization;</p> <p>(ii) statements of resources and expenditure of the Organization's administrative and operational programmes and of other funds administered by the Organization;</p> <p>(iii) such other information as is considered necessary to show clearly the financial position and the resources and expenditure of the Organization's activities;</p> <p>(b) such other reports as requested or deemed necessary.</p> <p>11.2 The reports shall be presented in terms of US dollars; for administrative income and expenditure, they shall also be presented in terms of Swiss francs. Accounting records may, however, be kept in such currency or currencies as the Director General may deem appropriate.</p>	

CURRENT FINANCIAL REGULATIONS <sup>1</sup>	PROPOSED REVISION OF THE FINANCIAL REGULATIONS	NOTES/COMMENTS
<p>11.3 The accounts shall be maintained in accordance with the approved budget. Appropriate separate accounts shall be maintained for all trust funds, reserves and special accounts.</p> <p>11.4 Appropriate records shall be maintained in regard to equipment and supplies.</p> <p>11.5 The annual financial statements and reports shall be submitted by the Director General, through the Executive Committee, to the next regular session of the Council following the end of the financial year.</p>	<p>11.3 The accounts shall be maintained in accordance with the approved budget. Appropriate separate accounts shall be maintained for all trust funds, reserves and special accounts.</p> <p>11.4 Appropriate records shall be maintained in regard to equipment and supplies.</p> <p>11.5 The annual financial statements and reports shall be submitted by the Director General, through the <del>Executive Committee</del> <u>Standing Committee on Programmes and Finance</u>, to the next <del>regular session of the Council following the end of the financial year governing bodies.</del></p>	<p>Change from Executive Committee to Standing Committee on Programmes and Finance, following the adoption of Council Resolution No. 1151 of 7 June 2007 entitled “Establishment of the Standing Committee on Programmes and Finance”.</p>
<p style="text-align: center;"><i>ARTICLE 12</i> <i>External Auditors</i></p> <p>12.1 The Council shall appoint External Auditors of international repute who shall audit the accounts of the Organization in accordance with the principles set out in the Annex to these Regulations and with such other directives as the Council may give.</p>	<p style="text-align: center;"><i>ARTICLE 12</i> <i>External Auditors</i></p> <p>12.1 The Council shall appoint External Auditors of international repute who shall audit the accounts of the Organization in accordance with the principles set out in the Annex to these Regulations and with such other directives as the Council may give.</p>	<p style="text-align: center;">No change</p>

CURRENT FINANCIAL REGULATIONS <sup>1</sup>	PROPOSED REVISION OF THE FINANCIAL REGULATIONS	NOTES/COMMENTS
12.2 The cost of such audit shall be a charge on the funds of the Organization.	12.2 The cost of such audit shall be a charge on the funds of the Organization.	
<p style="text-align: center;"><i>ARTICLE 13</i> <i>Resolutions involving Expenditures</i></p> <p>13.1 Before the adoption by the Council of any resolution involving expenditure, the Director General shall submit a report on the administrative and financial implications of the proposal.</p> <p>13.2 Where, in the opinion of the Director General, any proposed expenditure cannot be met within the existing budget, it shall not be incurred unless the Council has considered and approved supplementary funds.</p>	<p style="text-align: center;"><i>ARTICLE 13</i> <i>Resolutions involving Expenditures</i></p> <p>13.1 Before the adoption by the Council of any resolution involving expenditure, the Director General shall submit a report on the administrative and financial implications of the proposal.</p> <p>13.2 Where, in the opinion of the Director General, any proposed expenditure cannot be met within the existing budget, it shall not be incurred unless the Council has considered and approved supplementary funds.</p>	No change
<p style="text-align: center;"><i>ARTICLE 14</i> <i>Cash Reserve</i></p> <p>14.1 A cash reserve shall be established in two parts, one for the Administrative part and one for the Operational part of the budget.</p> <p>14.2 The source of the Cash Reserve shall be interest-free loans from Member States.</p>	<p style="text-align: center;"><i>ARTICLE 14</i> <i>Cash Reserve</i></p> <p>14.1 A cash reserve shall be established in two parts, one for the Administrative Part and one for the Operational Part of the Budget.</p> <p>14.2 The source of the Cash Reserve shall be interest-free loans from Member States.</p>	No change

<b>CURRENT FINANCIAL REGULATIONS<sup>1</sup></b>	<b>PROPOSED REVISION OF THE FINANCIAL REGULATIONS</b>	<b>NOTES/COMMENTS</b>
<p>The amounts of both parts of the Cash Reserve shall be decided upon by the Council. The individual shares of the Cash Reserve to be loaned by Member States shall be agreed upon by the Council and by the States concerned.</p> <p>14.3 Each State shall have the right to designate whether its loan or loans to the Cash Reserve are available for both parts of the budget or for a specific part only.</p> <p>14.4 Subject to the provisions of Article 14.3, both parts of the Cash Reserve may be used to meet cash requirements pending the receipt of assured income and to solve temporary liquidity problems.</p> <p>14.5 Any Member State shall be entitled to repayment of its loan to the Cash Reserve in the event that it does not continue its membership or the Organization is dissolved.</p> <p>14.6 Advances made from the Cash Reserve to finance budgetary appropriations during a financial year shall be reimbursed to the Cash Reserve as soon as and to the extent that the assured income referred to in Article 14.4 is available.</p>	<p>The amounts of both parts of the Cash Reserve shall be decided upon by the Council. The individual shares of the Cash Reserve to be loaned by Member States shall be agreed upon by the Council and by the States concerned.</p> <p>14.3 Each State shall have the right to designate whether its loan or loans to the Cash Reserve are available for both parts of the budget or for a specific part only.</p> <p>14.4 Subject to the provisions of Article 14.3, both parts of the Cash Reserve may be used to meet cash requirements pending the receipt of assured income and to solve temporary liquidity problems.</p> <p>14.5 Any Member State shall be entitled to repayment of its loan to the Cash Reserve in the event that it does not continue its membership or the Organization is dissolved.</p> <p>14.6 Advances made from the Cash Reserve to finance budgetary appropriations during a financial year shall be reimbursed to the Cash Reserve as soon as and to the extent that the assured income referred to in Article 14.4 is available.</p>	

CURRENT FINANCIAL REGULATIONS <sup>1</sup>	PROPOSED REVISION OF THE FINANCIAL REGULATIONS	NOTES/COMMENTS
<p style="text-align: center;"><i>ARTICLE 15</i> <i>Liquidation of Assets</i></p> <p>15.1 Upon dissolution of the Organization, assets in respect of unexpended and unobligated funds remaining to the credit of the Administrative part of the budget shall, after all liquidation costs have been settled, be distributed to the Member States proportionately to their contributions thereto, to the extent possible in the currency in which the contributions were made, unless such Member States make other arrangements with respect to the disposition of such assets and each Member State agrees to such arrangements with respect to its share.</p> <p>15.2 Assets in respect of unexpended and unobligated funds of the Organization derived from voluntary contributions or advances to the Operational part of the budget shall be redistributed to Member States and other donors according to the terms and conditions under which these operational contributions were made.</p>	<p style="text-align: center;"><i>ARTICLE 15</i> <i>Liquidation of Assets</i></p> <p>15.1 Upon dissolution of the Organization, assets in respect of unexpended and unobligated funds remaining to the credit of the Administrative Part of the Budget shall, after all liquidation costs have been settled, be distributed to the Member States proportionately to their contributions thereto, to the extent possible in the currency in which the contributions were made, unless such Member States make other arrangements with respect to the disposition of such assets and each Member State agrees to such arrangements with respect to its share.</p> <p>15.2 Assets in respect of unexpended and unobligated funds of the Organization derived from voluntary contributions or advances to the Operational Part of the Budget shall be redistributed to Member States and other donors according to the terms and conditions under which these operational contributions were made.</p>	<p style="text-align: center;">No change</p>

CURRENT FINANCIAL REGULATIONS <sup>1</sup>	PROPOSED REVISION OF THE FINANCIAL REGULATIONS	NOTES/COMMENTS
<p style="text-align: center;"><i>ARTICLE 16</i> <i>General Provisions</i></p> <p>16.1 These Regulations may be amended by a decision of the Council, concurred in by the majority of the Members present and voting, with the exception of Article 15 for which the unanimity of all Member States of the Organization is required.</p> <p>16.2 In cases of doubt as to the interpretation and application of any of the foregoing Regulations, the Director General is authorized to rule thereon, subject to such ruling as the Council may subsequently make.</p>	<p style="text-align: center;"><i>ARTICLE 16</i> <i>General Provisions</i></p> <p>16.1 These Regulations may be amended by a decision of the Council, concurred in by the majority of the Members present and voting, with the exception of Article 15 for which the unanimity of all Member States of the Organization is required.</p> <p>16.2 In cases of doubt as to the interpretation and application of any of the foregoing Regulations, the Director General is authorized to rule thereon, subject to such ruling as the Council may subsequently make.</p>	<p style="text-align: center;">No change</p>

CURRENT FINANCIAL REGULATIONS <sup>1</sup>	PROPOSED REVISION OF THE FINANCIAL REGULATIONS	NOTES/COMMENTS
<p style="text-align: center;"><i>Annex</i> <i>PRINCIPLES TO GOVERN THE AUDIT OF THE ORGANIZATION</i></p> <p>1. The External Auditors shall perform an audit of the accounts of the Organization including all trust and special accounts as they may deem necessary with a view to:</p> <p>(a) ascertaining that the annual financial statements are in accord with the books and records of the Organization;</p> <p>(b) drawing attention to any departures from the Financial Regulations;</p> <p>(c) making comments, if deemed advisable, and suggesting improvements with respect to the efficiency of the financial procedures and the accounting system of the Organization;</p> <p>(d) reporting whether the annual financial statements represent a true and fair view of the status of the Organization's affairs as of the close of the financial year.</p>	<p style="text-align: center;"><i>Annex</i> <i>PRINCIPLES TO GOVERN THE AUDIT OF THE ORGANIZATION</i></p> <p>1. The External Auditors shall perform an audit of the accounts of the Organization including all trust and special accounts as they may deem necessary with a view to:</p> <p>(a) ascertaining that the annual financial statements are in accord with the books and records of the Organization;</p> <p>(b) drawing attention to any departures from the Financial Regulations;</p> <p>(c) making comments, if deemed advisable, and suggesting improvements with respect to the efficiency of the financial procedures and the accounting system of the Organization;</p> <p>(d) reporting whether the annual financial statements represent a true and fair view of the status of the Organization's affairs as of the close of the financial year.</p>	

CURRENT FINANCIAL REGULATIONS <sup>1</sup>	PROPOSED REVISION OF THE FINANCIAL REGULATIONS	NOTES/COMMENTS
<p>2. Subject to the provisions of the Financial Regulations, the External Auditors shall be the sole judge as to the acceptance in whole or in part of certifications by the Administration and may proceed to such detailed examination and verification as they choose of all financial records including those relating to supplies and equipment.</p> <p>3. The External Auditors may affirm by test the reliability of the internal audit or internal control, and may make such reports with respect thereto as they may deem necessary to the Council or the Executive Committee or the Director General.</p> <p>4. In no case shall the External Auditors include criticism in their audit report without first affording the Administration an opportunity of explanation to the External Auditors of the matter under observation.</p>	<p>2. Subject to the provisions of the Financial Regulations, the External Auditors shall be the sole judge as to the acceptance in whole or in part of certifications by the Administration and may proceed to such detailed examination and verification as they choose of all financial records including those relating to supplies and equipment.</p> <p>3. The External Auditors may affirm by test the reliability of the internal audit or internal control, and may make such reports with respect thereto as they may deem necessary to the Council or the <u>Standing Committee on Programmes and Finance</u> <del>Executive Committee</del> or the Director General.</p> <p>4. In no case shall the External Auditors include criticism in their audit report without first affording the Administration an opportunity of explanation to the External Auditors of the matter under observation.</p>	<p>Change from Executive Committee to Standing Committee on Programmes and Finance, following the adoption of Council Resolution No. 1151 of 7 June 2007 entitled “Establishment of the Standing Committee on Programmes and Finance”.</p>

CURRENT FINANCIAL REGULATIONS <sup>1</sup>	PROPOSED REVISION OF THE FINANCIAL REGULATIONS	NOTES/COMMENTS
<p>5. The External Auditors shall submit to the Council, through the Executive Committee, an annual report on the certified accounts which should mention so far as they consider material:</p> <p>(a) the extent and character of their examination or any important changes therein;</p> <p>(b) matters affecting the completeness or accuracy of the accounts, such as:</p> <p>(i) information necessary to the correct interpretation of the accounts;</p> <p>(ii) any amounts which ought to have been received but which have not been brought to account;</p> <p>(iii) expenditure not properly substantiated;</p> <p>(c) other matters which should be brought to the notice of the Council, such as:</p>	<p>5. The External Auditors shall submit to the Council, through the <del>Executive Committee</del> <u>Standing Committee on Programmes and Finance</u>, an annual report on the certified accounts which should mention so far as they consider material:</p> <p>(a) the extent and character of their examination or any important changes therein;</p> <p>(b) matters affecting the completeness or accuracy of the accounts, such as:</p> <p>(i) information necessary to the correct interpretation of the accounts;</p> <p>(ii) any amounts which ought to have been received but which have not been brought to account;</p> <p>(iii) expenditure not properly substantiated;</p> <p>(c) other matters which should be brought to the notice of the Council, such as:</p>	<p>Change from Executive Committee to Standing Committee on Programmes and Finance, following the adoption of Council Resolution No. 1151 of 7 June 2007 entitled “Establishment of the Standing Committee on Programmes and Finance”.</p>

<b>CURRENT FINANCIAL REGULATIONS<sup>1</sup></b>	<b>PROPOSED REVISION OF THE FINANCIAL REGULATIONS</b>	<b>NOTES/COMMENTS</b>
<p>(i) cases of fraud or presumptive fraud;</p> <p>(ii) improper expenditure of the Organization's money or other assets (notwithstanding that the accounting for the transactions may be correct);</p> <p>(iii) contractual commitments which could lead the Organization to future large-scale expenditure;</p> <p>(iv) any defect in the general system or detailed regulation governing the control of receipts and expenditure, or of other assets;</p> <p>(v) expenditure not in accordance with the budget approved by the Council after making allowance for duly authorized transfers within the budget;</p>	<p>(i) cases of fraud or presumptive fraud;</p> <p>(ii) improper expenditure of the Organization's money or other assets (notwithstanding that the accounting for the transactions may be correct);</p> <p>(iii) contractual commitments which could lead the Organization to future large-scale expenditure;</p> <p>(iv) any defect in the general system or detailed regulation governing the control of receipts and expenditure, or of other assets;</p> <p>(v) expenditure not in accordance with the budget approved by the Council after making allowance for duly authorized transfers within the budget;</p>	

CURRENT FINANCIAL REGULATIONS <sup>1</sup>	PROPOSED REVISION OF THE FINANCIAL REGULATIONS	NOTES/COMMENTS
<p>(vi) expenditure in excess of appropriations, as amended by duly authorized transfers within the budget;</p> <p>(vii) expenditure not in conformity with the authority which governs it;</p> <p>(d) the accuracy or otherwise of fixed asset and stock records as determined by inspection and examination of records;</p> <p>(e) 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 Council should have early knowledge.</p> <p>6. The External Auditors should report on the annual financial statements in the following terms:</p> <p>The attached financial statements ....., expressed in US dollars, and ....., expressed in Swiss francs, of the International Organization for Migration, Geneva, for the year ended ....., have</p>	<p>(vi) expenditure in excess of appropriations, as amended by duly authorized transfers within the budget;</p> <p>(vii) expenditure not in conformity with the authority which governs it;</p> <p>(d) the accuracy or otherwise of fixed asset and stock records as determined by inspection and examination of records;</p> <p>(e) 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 Council should have early knowledge.</p> <p>6. The External Auditors should report on the annual financial statements in the following terms:</p> <p>The attached financial statements ....., expressed in US dollars, and ....., expressed in Swiss francs, of the International Organization for Migration, Geneva, for the year ended ....., have</p>	

CURRENT FINANCIAL REGULATIONS <sup>1</sup>	PROPOSED REVISION OF THE FINANCIAL REGULATIONS	NOTES/COMMENTS
<p>been audited by us in accordance with Article 12.1 of the Financial Regulations. We have obtained all the information and explanations that we have required and, as a result of the audit, we report that in our opinion the statements and related notes on pages ... to ... give a true and fair view of the resources and expenditure of the Organization's programmes and funds for the year ended ....., and of its financial position at that date.</p> <p>7. The report of the External Auditors shall be transmitted through the Sub-Committee on Budget and Finance and the Executive Committee to the Council not later than 1 May following the end of the financial period to which the report relates.</p>	<p>been audited by us in accordance with Article 12.1 of the Financial Regulations. We have obtained all the information and explanations that we have required and, as a result of the audit, we report that in our opinion the statements and related notes on pages ... to ... give a true and fair view of the resources and expenditure of the Organization's programmes and funds for the year ended ....., and of its financial position at that date.</p> <p>7. The report of the External Auditors shall be transmitted through the <del>Sub-Committee on Budget and Finance and the Executive Committee</del> <u>Standing Committee on Programmes and Finance</u> to the <del>Council not later than 1 May</del> <u>spring session of the governing bodies</u> following the end of the financial period to which the report relates.</p>	<p>Change from Executive Committee to Standing Committee on Programmes and Finance, following the adoption of Council Resolution No. 1151 of 7 June 2007 entitled "Establishment of the Standing Committee on Programmes and Finance" and to adjust the date.</p>

Annex II

DRAFT RESOLUTION ON  
AMENDING THE FINANCIAL REGULATIONS

*The Council,*

*Acting* pursuant to Article 26 of the Constitution,

*Recalling* Resolution No. 68 (LXXV) of 23 May 1989 by which the Executive Committee adopted the revised Financial Regulations,

*Mindful* of the need to update the Financial Regulations with a view to clarifying the sources and application of Discretionary Income as well as incorporating the accounting standards used by the Organization for the preparation of its financial statements,

*Having received and examined* document MC/2261, submitted by the Director General, concerning proposals to amend the Financial Regulations,

*Having taken into account* the comments and recommendations of the Standing Committee on Budget and Finance (MC/.....),

*Resolves* to adopt the amended Financial Regulations, to read as indicated in Annex I to document MC/2261.



IOM International Organization for Migration  
OIM Organisation Internationale pour les Migrations  
OIM Organización Internacional para las Migraciones

**STANDING COMMITTEE ON PROGRAMMES AND FINANCE**

**SECOND SESSION**

5-6 May 2008

**SCPF/15**  
**RESTRICTED**

15 April 2008

**BACKGROUND INFORMATION**  
**ON DISCRETIONARY INCOME**

## BACKGROUND INFORMATION ON DISCRETIONARY INCOME

### I. INTRODUCTION

1. At the Informal Consultations held on 26 February 2008, Member States requested the Administration to provide a background paper on Discretionary Income (DI) regarding the legal basis, trends and the oversight process. This document provides the relevant background on DI and its components.

2. DI is part of the Operational Part of the Budget and is used principally to cover core structures that cannot be funded under the Administrative Part of the Budget. The main application of DI is to support the general administrative and management functions of the Organization.

3. DI is derived from three sources: (a) unearmarked contributions; (b) interest income and (c) project-related overhead. The first two sources combined are referred to as Miscellaneous Income.

4. Given the growth of the Operational Part of the Budget during the past several years, project-related overhead income also increased as it is directly linked to the level of activity. Five-year trends of the Administrative and Operational Parts of the Budget as well as DI are shown in Annex I.

### II. SOURCES AND APPLICATION OF DISCRETIONARY INCOME

5. DI is derived from three sources:

- Unearmarked contributions are voluntary contributions to the Organization to cover general support functions. This source of income is relatively small and gradually diminishing as the preference of most donors is to earmark funding for specific initiatives.
- Interest income is generated from the balances on various IOM bank accounts. It depends on the market rates and the level of cash balances held.
- Project-related overhead is a percentage charged to each operational project to cover **indirect costs** necessary for project support, such as general management, administration and security costs both at Headquarters and in the Field which cannot be easily identified with a specific activity. The level of income derived from this particular source depends on the level of operations. The overhead rate is reviewed on an ongoing basis and can be revised at any time following approval by Member States. The rate has been revised as needed through Council Resolutions No. 1129 (XC) of 2 December 2005, and Nos. 1110 and 1111 (LXXXVIII) of 3 December 2004. The current overhead rate of a 5 per cent charge on total costs is among the lowest among all international organizations.<sup>1</sup>

---

<sup>1</sup> 12 per cent overhead is charged on staff and office costs for resettlement and return programmes where international transportation costs make up a significant portion of the total cost of the activity.

6. DI is applied mainly as supplementary funding to the Administrative Part of the Budget in support of the Organization's core structure and for indirect costs that cannot be attributed to specific projects. The applications of Zero Nominal Growth (ZNG) and occasionally Zero Real Growth (ZRG) under the Administrative Part of the Budget are important factors leading to the use of DI to supplement funding for the core structure of the Organization

7. In line with Council resolutions, a portion of DI is also allocated for staff security and certain priority projects, including those in developing Member States and states with economy in transition-1035 Facility.

8. The definition and description of indirect costs and core structure are as follows:

- Indirect costs are incurred by an organization in support of its activities which cannot be attributed to a specific project. These costs concern mostly administrative services, general oversight functions at Headquarters and in the Field and staff security activities that allow the Organization to implement its activities across the globe efficiently and coherently. Most public and private sector organizations have indirect costs that need to be covered but cannot be specifically attributed and charged directly to ongoing projects and activities. There are various methods of covering these costs depending on the type of the organization and sector of operations. Different organizations use different terminologies such as project support costs, project overhead and extra-budgetary costs to describe and capture indirect costs. For IOM, most of the indirect costs are incurred on staff and related structures.
- Core structure covers staff and support costs. Core positions, as defined in document MC/1885, "Attribution of staff positions between the Administrative and Operational Parts of the Budget" (Council Resolution No. 949 (LXXII) of 20 November 1996), are those positions which serve to advise, plan, organize, supervise and monitor the overall activity of the Organization within a regional or functional context and for which the related work is not tied to the implementation of a single identifiable activity.

### **III. RELEVANT LEGAL FRAMEWORK FOR DISCRETIONARY INCOME**

9. Article 25 of the Constitution and Articles 3, 5 and 10 of the Financial Regulations provide, inter alia, the broad framework for IOM's financial management, particularly as it relates to the Operational Part of the Budget and voluntary contributions. It is important to note that the Financial Regulations (Art. 10.1) require the Administration to establish detailed financial rules and procedures in order to ensure effective financial administration and the exercise of economy and efficiency. It is in this context that the Administration reviews and reports on the sources and application of DI.

10. Given the growing importance of DI in financing the core structure of the Organization, the annual Programme and Budget, its revisions as well as the Financial Report contain appropriate disclosures and information on the estimates and proposed application of DI. The IOM External Auditors audit the annual financial accounts, which

include the sources and application of DI. These documents are approved through relevant resolutions of the Governing Bodies.

11. The relevant documents and resolutions covering, inter alia, the Core Structure Funding, Discretionary Income and the Project-related Overhead, are as follows:

- Council Resolution No. 949 (LXXII) dated 20 November 1996 on “Attribution of Staff Positions between the Administrative and Operational Parts of the Budget”;
- Council Resolution No. 1092 (LXXXVI), dated 21 November 2003 on “Programme and Budget for 2004”, sets up a working group on the Organization’s Budget Planning Strategy;
- Council Resolution No. 1110 (LXXXVIII) dated 3 December 2004 on “Use of Project-related Overhead Income to Cover Staff Positions and Support Costs of Administrative Nature”;
- Council Resolution No. 1111 (LXXXVIII) dated 3 December 2004 on “Use of Project-related Overhead Income to Cover Staff Security Costs”;
- Council Resolution No. 1129 (XC) dated 2 December 2005 on “Project-related Overhead”;
- Document MC/EX/660 dated 27 May 2004 entitled “Background Information on Budget Planning and Related Matters”;
- Document MC/2142 dated 12 July 2004 entitled “Report on the Hundred and First Session of the Executive Committee” (paras. 76 – 84), Recommendations of the Working Group on Organization’s Budget Planning Strategy, as included in document MC/EX/660, were endorsed by the Executive Committee.
- Document IC/2007/2 dated 15 March 2007 entitled “IOM’s Strategy and Budget”.

12. Through the above mentioned documents and resolutions, the Administration has kept the Membership informed and engaged on matters relating to Discretionary Income.

#### **IV. INTERNAL REVIEW AND ALLOCATION PROCESS OF DISCRETIONARY INCOME**

13. All IOM Field Offices and Headquarters units are required to submit requests with appropriate justifications for staff and related structures that cannot be identified specifically with any operational activity and covered from direct project funds. These requests include seed money for new initiatives, to bridge temporary funding gaps, to maintain offices in strategic locations and to fund certain priority projects.

14. The requests for DI are submitted through the yearly budget process and in exceptional circumstances revisions are made during the year. Normally every Field Office should present requests for DI through the relevant MRF, which endorses that request taking into account the needs and priorities of the entire region.

15. All the requests are consolidated and examined by a Review Group composed of staff from Headquarters and the Field representing different areas of the Organization. The criteria used in the review are to: (a) bring the requests in line with projected DI; (b) evaluate the reasonableness of the requests in the context of overall IOM's priorities; (c) ensure that efficient and effective structures are maintained; (d) ensure that the recommendations are within the provisions of the resolutions and other decisions of the Governing Bodies and (e) take into consideration relevant administrative and operational realities from different perspectives.

16. The recommendations of the Review Group are submitted to the Director General for endorsement, and are then included in the relevant budget documents for review and approval by the Governing Bodies.

## V. OVERSIGHT

17. Due to the significant growth in the Organization's size and its work, the Administration has had various discussions with Member States in the past to develop a systemic mechanism for funding the Organization's overstretched core structure. In response to this need, the Council, in approving the Programme and Budget for 2004 (Resolution No. 1092 (LXXXVI) of 21 November 2003), requested the Subcommittee on Budget and Finance to set up a Working Group to discuss and elaborate the Organization's budget planning process.

18. The discussions of the Working Group focused on defining budgeting principles for the core structure and functions. The definition of statutory core costs was thoroughly reviewed and the decisions reached have formed the basis of preparing budget proposals for the core structure. In document MC/2142, entitled "Report on the Hundred and First Session of the Executive Committee", the Executive Committee took note of the report of the Working Group on Budget Planning Strategy (MC/EX/660) and endorsed the recommendations of the Working Group. One important conclusion flowing from that process was the adoption of Council Resolution No. 1110 of 3 December 2004 approving the use of project-related overhead income to cover staff positions and support costs of an administrative nature.

19. Details on the sources and application of the Discretionary Income are included in the Programme and Budget for consideration and approval by Member States. It is then revised in the Revision of the Programme and Budget document, which is also subject to Member States review and approval. It is further updated in the Summary Update document towards the end of the year, when Member States are informed of any further changes or adjustments to the sources and application of DI. The actual income and expenditure of DI is included in the annual Financial Report which is audited by the external auditors and approved by Member States. Any balances remaining are carried forward to the next year as unearmarked resources.

20. Furthermore, as funding for the core structure is a combination of both the Administrative Part of the Budget and DI, a consolidated table in the Budget documents of these two sources of funding is included. The descriptions of all line items of the Discretionary Income are presented under a separate section in the Programme and Budget

entitled “Staff and Services Covered by Discretionary Income”. Details of DI allocations by location and number and level of staff covered from DI are also included in the budget documents.

21. The amount of information included in formal documents is regularly adapted to the needs and requests made by Member States in an effort to provide comprehensive and transparent information, based on which effective oversight is maintained and informed decisions can be taken.

## **VI. CONCLUSION**

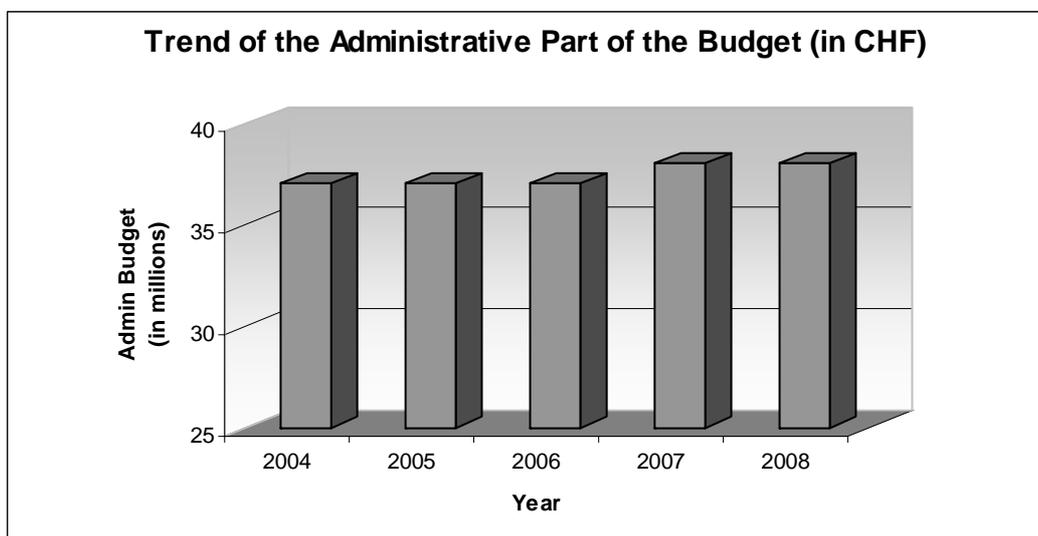
22. Given the size, complexity and outreach of the Organization, particularly in a decentralized and projectized operational environment, there continues to be a need for: (a) appropriate levels of core administrative and management structures; (b) predictable sources of funding to cover core structures and (c) a balanced combination of flexibility and oversight in the utilization of Discretionary Income in order to adapt to emerging needs and respond to changing and growing challenges.

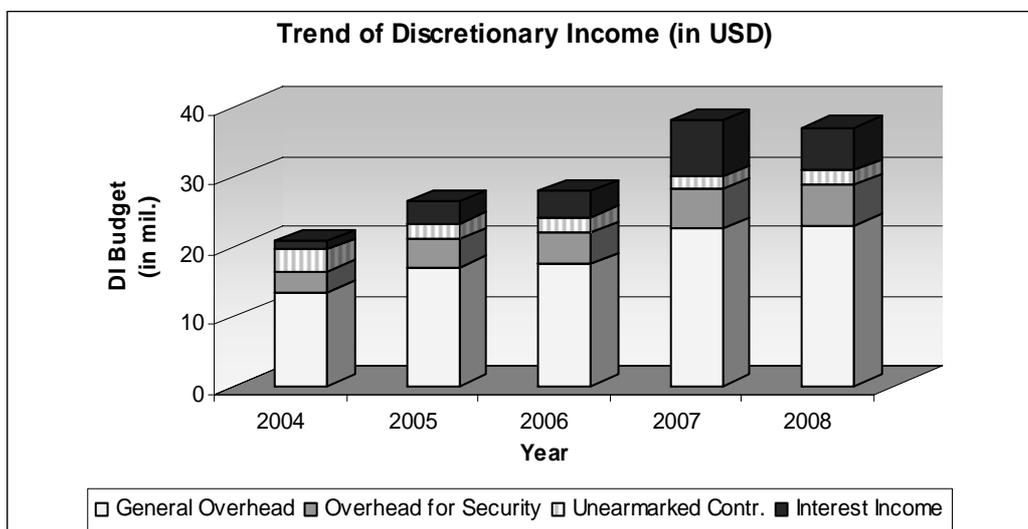
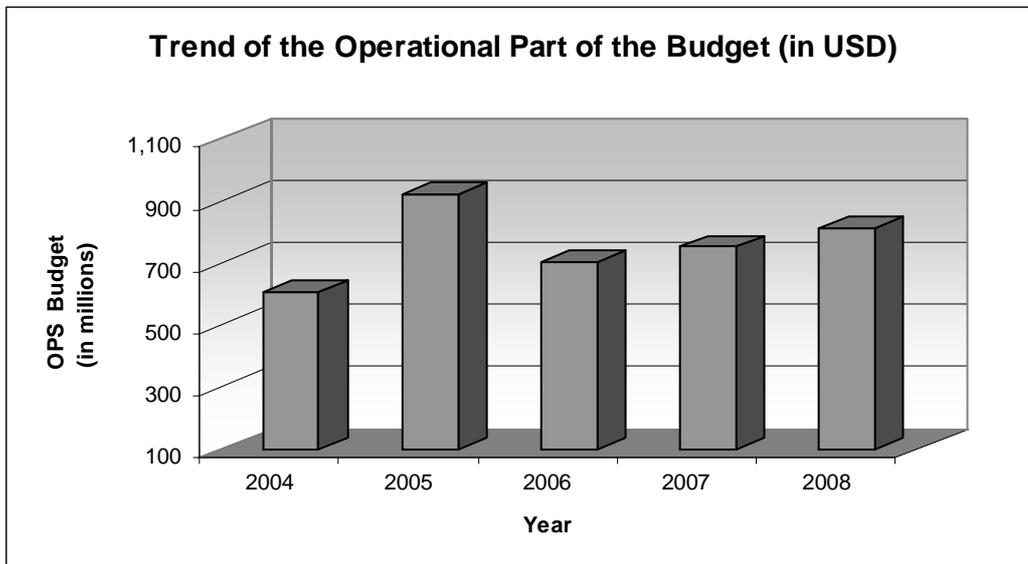
Annex

**TRENDS**

**Trend of the Administrative and Operational Parts of the Budget including Discretionary Income**

<i>(in millions)</i>	2004	2005	2006	2007	2008
<b>Administrative Part of the Budget</b>	<b>CHF 37.12</b>	<b>CHF 37.12</b>	<b>CHF 37.12</b>	<b>CHF 38.05</b>	<b>CHF 38.05</b>
<b>Operational Part of the Budget</b>	<b>USD 607.91</b>	<b>USD 922.00</b>	<b>USD 703.20</b>	<b>USD 751.80</b>	<b>USD 811.52</b>
<b>Discretionary Income:</b>					
Unearmarked Contributions	USD 3.04	USD 2.31	USD 2.19	USD 1.76	USD 2.10
Interest Income	USD 1.20	USD 2.99	USD 3.76	USD 8.08	USD 6.00
<b>Total Miscellaneous Income</b>	<b>USD 4.24</b>	<b>USD 5.30</b>	<b>USD 5.95</b>	<b>USD 9.84</b>	<b>USD 8.10</b>
Project-related Overhead Income:					
General Overhead	USD 13.48	USD 17.00	USD 17.53	USD 22.58	USD 22.95
Overhead to Cover Staff Security	USD 2.99	USD 4.02	USD 4.39	USD 5.67	USD 5.86
<b>Total Project-related Overhead Income</b>	<b>USD 16.47</b>	<b>USD 21.02</b>	<b>USD 21.92</b>	<b>USD 28.25</b>	<b>USD 28.81</b>
<b>Total Discretionary Income</b>	<b>USD 20.71</b>	<b>USD 26.32</b>	<b>USD 27.87</b>	<b>USD 38.09</b>	<b>USD 36.91</b>





Annex IV

**INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)**

(extract from document IC/2007/10 dated 15 June 2007)

1. The IOM annual financial report is currently prepared according to IOM Financial Regulations. The external auditors perform an audit according to the Financial Regulations and express an opinion according to IOM Financial Regulations.
2. Increasing importance is being placed worldwide, in both private and public sectors, on financial reporting that complies with international accounting standards which provide a consistent basis for the reporting of financial information in statutory financial reports. The credibility of international accounting standards is ensured because of their high quality, international recognition and rigorous process that is followed in their development and interpretation. Comparability, harmonization and continuous improvement of financial reporting are therefore among the standards' cornerstones.
3. In recent years, significant advances have been made in the development of international accounting standards, culminating in the emergence of two internationally recognized standards: IAS/IFRS under the International Accounting Standards Board (IASB); and IPSAS, under the International Federation of Accountants (IFAC). IPSAS focuses on the public and not-for-profit sectors and they are drawn from and similar to IAS/IFRS. Many countries and organizations have moved away from their own accounting policies (GAAP) and are adopting IAS/IFRS or IPSAS.\*
4. The General Assembly in 2006 approved the adoption of IPSAS for the United Nations and all agencies with effect from 2010. The United Nations has set up an accounting task force which is extensively reviewing all 23 IPSAS policies to interpret those policies for the UN organizations. IOM is part of the task force and the Administration is following this process closely.
5. The implementation of PRISM Financials will facilitate compliance with IPSAS. The Administration aims to achieve IPSAS compliance in the 2009 financial statements when all locations will be using PRISM financials.
6. It is expected that IPSAS compliance will enhance the financial integrity, oversight and comparability of IOM's financial reporting. It will also help to improve the management and stewardship of resources, the effectiveness of delivery and the achievement of results.

---

\* The Organization for Economic Co-operation and Development (OECD) and the North Atlantic Treaty Organization (NATO) are IPSAS compliant and the European Commission (EC) is in the advanced stages of adopting IPSAS.