



FINANCIAL REGULATIONS OF  
THE INTERNATIONAL CENTRE FOR GENETIC ENGINEERING AND  
BIOTECHNOLOGY

(ICGEB)

May 2015

## CONTENTS

<u>Article</u>		<u>Page</u>
I	APPLICABILITY	1
II	THE FINANCIAL PERIOD	1
III	PROGRAMME AND BUDGET	1
	Preparation of the Budget	1
	Form of the Budget	1
	Review of the Budget	2
	Resolutions or Decisions Involving Expenditure	3
	Commitments for Future Financial Periods	3
IV	BUDGETARY APPROVAL	3
	Authorization to Incur Obligations and to Make Payments	3
V	FINANCING OF THE CENTRE	4
	Voluntary Contributions	5
	Initial Contributions	5
	Annual Voluntary Contributions	5
	General and Special Voluntary Contributions	5
	Reserve and Special Accounts	6
	Investment income and Other Revenue	6
VI	CUSTODY OF FUNDS	7
VII	INVESTMENT OF FUNDS	7
VIII	INTERNAL CONTROL	8
	<i>Ex-gratia</i> Payments	8
	Writing-off of Losses and Deficiencies	9
	Liability of the Centre	9
	Contracts and Purchases	9
	Internal Auditor	11

IX	THE ACCOUNTS	11
	General Fund	11
	Accounts and Financial Statements	12
	Currency of Accounts	13
	Submission of Financial Statements	13
X	EXTERNAL AUDIT	13
	Appointment of an External Auditor	13
	Scope of Audit	14
	Facilities	14
	Reporting	14
XI	STANDING COMMITTEE	15
XII	GENERAL PROVISIONS	15
	Entry into Force and Amendments	15
	 ANNEXES TO THE FINANCIAL REGULATIONS	
	Annex I - Additional terms of reference governing the audit of the International Centre for Genetic Engineering and Biotechnology	17
	Annex II – Charter of the Office of the Internal Auditor	20
	Annex III – Terms of Reference of the Standing Committee	27

## ICGEB FINANCIAL REGULATIONS

### ARTICLE I. APPLICABILITY

Regulation 1.1: The present Regulations shall govern the financial administration of the International Centre for Genetic Engineering and Biotechnology, hereinafter referred to as the “Centre”.

### ARTICLE II. THE FINANCIAL PERIOD

Regulation 2.1: The financial period shall consist of the calendar year.

### ARTICLE III. PROGRAMME AND BUDGET

#### Preparation of the Budget

Regulation 3.1:<sup>1</sup> Each year the Director-General of the ICGEB (hereinafter referred to as “Director-General”) shall prepare and submit to the Board of Governors (hereinafter referred to as the “Board”) through the Council of Scientific Advisers (hereinafter referred to as the “Council”), a draft work programme for the following five year period together with the corresponding financial estimates for those activities.

Regulation 3.2: The financial estimates shall give detailed information on income and expenditures for the following financial period and they shall be presented in Euro.

#### Form of the Budget

Regulation 3.3: The draft budget shall be presented according to the five calendar years involved and it shall be divided into a regular budget and a supplementary budget, each of which shall be divided into programmes and sub-programmes for expenditures as well as into sections for income. It shall be accompanied by such information annexes and explanatory statements as may be requested by the Board or the Council as well as such annexes as the Director-General

---

<sup>1</sup> See Article 10, para.4, Statutes of the ICGEB.

may deem necessary or useful. The budget shall also be accompanied by a statement on the main changes in comparison with the previous year.

Regulation 3.4: The regular budget of the Centre provides for expenditures of the organization in the framework of its approved Five-Year Work Programme and is financed from assessed contributions from Member States, regular contributions from the Host Countries, other revenues of the organization (donations, income from royalties and intellectual property rights, accrued interests on the Centre's funds) and, until the relevant scale of assessment comes into force, from voluntary contributions from Member States, as per Regulations 5.2 and 5.3 below. The regular budget is composed of a "core" portion, providing for expenditures for which the availability of funds has been secured, or has a high probability of being so, and an "additional" portion, which will be implemented by the Centre only if the foreseen funds become available.

Regulation 3.5: The supplementary budget provides for expenditures for technical cooperation and related activities and is financed from voluntary contributions made directly to the organization. Voluntary contributions can be either special purpose voluntary contributions, whenever the donor ties its contribution to a specific activity to be implemented by the Centre, or general voluntary contributions.

#### Review of the Budget

Regulation 3.6: The Director-General shall submit a draft programme of work and the corresponding estimates for the regular and supplementary budgets for the following five years, in accordance with Financial Regulations 3.1 and 3.2, to the Board through the Council, as soon as possible and at the latest forty-five days prior to the opening of the session of the Council.

Regulation 3.7: The Council shall consider the proposals of the Director-General and submit to the Board its recommendations on the proposed programme of work and corresponding estimates for the regular and supplementary budgets for the following five years forty-five days prior to the opening of the Board's session.

Regulation 3.8:<sup>2</sup> The Board shall examine the proposals of the Director-General, together with any recommendations made by the Council, and approve by a two thirds majority of the Members present and voting on the work programme and the regular and supplementary budgets with such modifications as it deems necessary.

---

<sup>2</sup> See Article 6, para.6, Statutes of the ICGEB (2/3 majority).

## Resolutions or Decisions Involving Expenditure

Regulation 3.9: No resolution, decision or amendment involving expenditure which has not already been considered by the Council in accordance with Financial Regulation 3.7 shall be approved by the Board unless it is accompanied by a programme and financial implication statement prepared by the Director-General.

## Commitments for Future Financial Periods

Regulation 3.10: The Director-General may enter into commitments for future financial periods, provided that such commitments:

- (a) are for activities which have been approved by the Board within the Five-Year Work Programme and are expected to continue beyond the end of the current financial period; or
- (b) are authorized by specific decisions of the Board.

## ARTICLE IV. BUDGETARY APPROVAL

### Authorization to Incur Obligations and to Make Payments

Regulation 4.1: Approval by the Board of the work programme and corresponding budget shall constitute an authorization to the Director-General to incur obligations and to make payments for the purposes thus approved and within the financial resources available therefore. Within specific limits, the Director-General may delegate such authority in writing to designated members of the staff.

Regulation 4.2:

- (a) Regular budget appropriations shall be available for obligation during the financial period to which they relate.
- (b) Regular budget appropriations shall remain available following the financial period to which they relate, for a total duration not to exceed two years following the end of the said financial period, to the extent that they are required to discharge obligations in respect of goods supplied and services rendered during that financial period and to liquidate any outstanding legal

obligation of that financial period. The unencumbered balance of the appropriations at the end of a financial period shall be surrendered to the General Fund.

(c) At the end of the two year period referred to in sub-paragraph b) above, any unliquidated regular budget obligation of the financial period in question shall either be cancelled or, where the obligation remains a valid charge, transferred as an obligation against the current appropriations.

Regulation 4.3:

(a) Transfers between objects of expenditure of the regular budget may be made by the Director-General, based upon justified requests from the Director of the Trieste Component, the Director of the New Delhi Component, the Director of the Cape Town Component, or from the Director, Administration and External Relations. The Director-General shall inform the Board for ex-post facto approval of the revised budget at the following meeting, through the Council of Scientific Advisers.

(b) On an exceptional basis, the Director-General may transfer appropriations from one financial year to the next, provided that the transfer is effected on the same budget line. These transfers must be supported by proper justification on the need for delaying or bringing forward the appropriation from one year to the other. Any revision so made should be transmitted to the Board, through the Council, for information and approval as per paragraph (a) above.

## ARTICLE V. FINANCING OF THE CENTRE

Regulation 5.1:<sup>3</sup> The Centre and its activities shall be financed from:

- (a) Initial contributions for launching the Centre;
- (b) Annual voluntary contributions by the Members;
- (c) Assessed annual contributions by the Members;
- (d) General and special voluntary contributions, including in kind contributions, gifts, bequests, subventions and funds in trust from Members, non-Member States, the United Nations,

---

<sup>3</sup> Article 10, para.1, Statutes of the ICGEB.

its specialized agencies, the International Atomic Energy Agency, the United Nations Development Programme, intergovernmental and non-governmental organizations, foundations, institutions and private persons, subject to the approval of the Board;

(e) Any other sources, including royalties and other payments relating to the results obtained by the Centre, as well as funds generated through contract research, subject to the approval of the Board.

The contributions referred to under paragraphs (b), (c) and (d) shall be made in a freely convertible currency, preferably in Euro or United States dollars. Taking into account the currencies in which expenditures are anticipated, the Director-General may convert contributions into such currencies, paying due regard to the need to preserve the value of the contributions.

#### Voluntary Contributions

##### Initial Contributions

Regulation 5.2: The initial contributions referred to under Regulation 5.1(a) above shall be those funds of the Centre that have previously been contributed towards the UNIDO projects related to the Centre, and which have been transferred to the Centre, as well as the financial contributions that have been made by the Host States to the operating costs of the Centre during the initial years of its operations, in accordance with Article 10, para.3, of the Statutes of the Centre.

##### Annual Voluntary Contributions

Regulation 5.3:<sup>4</sup> Until such time as the Board, in accordance with Article 11.1 of the Statutes, decides to assess annual contributions from Members, the annual voluntary contributions referred to under Regulation 5.1(b) above shall be pledged by the Member States during the annual regular session of the Board.

##### General and Special Voluntary Contributions

Regulation 5.4: The Board may authorize the Director-General to accept the general and special voluntary contributions referred to under Regulation 5.1(d) above on behalf of the Centre, provided that the purposes for which the contributions are made are consistent with the

---

<sup>4</sup> Article 11, para.1, Statutes of the ICGEB.



policies of the Centre. The Director-General shall report on all contributions thus received to the session of the Board following the receipt of the contribution. The acceptance of such contributions, which directly or indirectly involve additional financial liability for the Centre, shall require the consent of the Board.

#### Reserve and Special Accounts

Regulation 5.5: Reserve and special accounts may be established by the Director-General under the regular or the supplementary budget and shall be reported to the Board. Such funds and accounts shall be administered in accordance with the present Regulations.

Regulation 5.6: The purposes and limits of each reserve and special account shall be clearly defined.

Regulation 5.7: The Director-General shall establish an account under the regular budget for the general reserve, which shall be available to ensure the financial liquidity of the approved work programme and to meet unforeseen legal liabilities of the Centre.

Regulation 5.8:

- (a) Monies accepted for purposes specified by the donor shall be treated as special voluntary contributions and each credited to a special account under the supplementary budget.
- (b) Monies accepted in respect of which no purpose is specified shall be treated as general voluntary contributions and be credited to the same special account under the supplementary budget.

#### Investment income and Other Revenue

Regulation 5.9:

- (a) The income from investment of voluntary contributions shall be transferred to the general reserve account referred to in Financial Regulation 5.7.
- (b) Other revenue shall be credited as follows:

- (i) Moneys accepted in respect of which no purpose is specified shall be treated as miscellaneous revenue ;
- (ii) Proceeds from the sale of property plant and equipment shall be credited as miscellaneous revenue to the regular budget or to the appropriate operational budget account;
- (iii) Proceeds from the rental of property or from the provision of services shall be credited as miscellaneous revenue to the appropriate regular budget account;
- (iv) Proceeds from the sale of project property plant and equipment shall be credited to the accounts of that project, provided that such accounts are still open. If they are closed, the proceeds shall be credited to miscellaneous revenue ;
- (v) Refund of expenditures of prior financial periods shall be credited to miscellaneous revenue in the regular budget.

#### ARTICLE VI. CUSTODY OF FUNDS

Regulation 6.1: The Director-General shall designate the bank or banks in which the funds of the Centre shall be kept, bearing in mind the need to minimize the number and scale of foreign exchange transactions.

#### ARTICLE VII. INVESTMENT OF FUNDS

Regulation 7.1: The Director-General may invest monies not needed for immediate requirements. The investment of monies standing to the credit of any reserve or special account shall take into account the particular requirements as to the liquidity of funds in each case.

Regulation 7.2: At least once a year, the Director-General shall include in the accounts and financial statements submitted to the Council and the Board a statement of the investments currently held.

## ARTICLE VIII. INTERNAL CONTROL

Regulation 8.1: The Director-General shall:

- (a) except where advance or progress payments are specifically provided for in the contract, as may be required by normal commercial practice and in the interest of the Centre, ensure that all payments are made on the basis of supporting vouchers and other documents which show that the services or goods have been received and have not previously been paid for;
- (b) designate the officers who may receive monies, incur commitments or obligations and make payments on behalf of the Centre;
- (c) maintain internal financial control and an 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 Centre;
  - (ii) the conformity of obligations and expenditures with the appropriations voted by the Board and with the purposes and rules relating to reserve and special accounts;
  - (iii) the economical use of the resources of the Centre.

Regulation 8.2: Obligations for the current financial period or commitments for current and future financial periods shall be incurred only after allotments or other appropriate authorizations have been made in writing under the authority of the Director-General.

### Ex-gratia Payments

Regulation 8.3: The Director-General may make *ex-gratia* payments in cases where, although there is no legal liability on the part of the Centre, the moral obligation in the opinion of the Director-General is such as to make payment desirable in the interest of the Centre. A statement of such payments shall be submitted with the financial statements.

### Writing-off of Losses and Deficiencies

Regulation 8.4: The Director-General may, after full investigation, authorize the writing-off of losses of cash, supplies, property, plant and equipment and other assets, provided that if such write-off involves an amount exceeding Euro 100,000, the write-off shall require the prior approval of the Board.

### Liability of the Centre

Regulation 8.5: The Director-General undertakes to contract adequate insurance coverage to meet the claims referred to the liability of the Centre for damages to third parties involving injury, disability, death, loss or damage attributable to gross negligence or reckless acts on the part of the Centre or its officials and experts, acting in their official capacity.

### Contracts and Purchases

Regulation 8.6: The Director-General shall as a part of the financial manual establish rules for the procurement of property, plant and equipment, supplies and other requirements including rules governing the invitation of tenders and the calling of proposals.

Regulation 8.7:

(a) Authority and responsibility: the Director-General shall designate officials in each ICGEB Component and in the Secretariat responsible for the management of the Organisation's property, plant and equipment, including the functions associated with all systems and procedures governing its receipt, recording, utilisation, safekeeping, maintenance and disposal, including by sale.

(b) Records: complete and accurate records shall be maintained of supplies and property plant and equipment purchased, received, issued, transferred, sold or otherwise disposed of and remaining on hand; such records shall be maintained for all locations and shall show separately supplies and property, plant and equipment.

(c) Receipt and supporting documentation: all supplies, and property, plant and equipment received by ICGEB shall be inspected immediately to ensure that their condition is satisfactory

and in accordance with the terms of the related purchase contract. A receiving report shall be issued for all items received and such items shall be entered immediately into the appropriate records, and all transactions related to supplies and property, plant and equipment are to be supported by appropriate vouchers and evidence of receipt.

(d) Property, plant and equipment issued to individuals: the issue to individual staff members of property, plant or equipment for their official use (for example, laptop computers, tools, cameras, mobile telephones) shall be recorded in the property records as “issued on loan”, and a receipt from the staff member concerned shall support the records and attest to his/her personal responsibility for the loaned item(s). Such receipts shall be retained by ICGEB until the safe return of the item(s) issued. In cases where the individual separates from ICGEB’s service, the item(s) shall be returned prior to the individual being paid his/her final entitlements, and the loan record cancelled.

(e) Physical inventories: physical inventories shall be taken of supplies, and property, plant and equipment of ICGEB, or entrusted to the charge of ICGEB, at least once during a financial period at each ICGEB location to ensure adequate control.

(f) Property Survey Board: a Property Survey Board shall be established, the composition of which and its terms of reference shall be determined by the Director-General. The Property Survey Board shall promulgate its terms of reference in an internal Administrative Instruction, which will cover, inter alia, shortages and surpluses of and damage to supplies and property plant and equipment that are revealed by physical inventories or are otherwise made known. The Property Survey Board will meet as required, and determine the level of responsibility, if any, attributable to any official of ICGEB for shortages, surpluses or damages, as well as make recommendations as required for any items to be disposed of or written off. The conclusions and recommendations of the Property Survey Board shall be submitted to the Director-General, or to a staff member delegated by him/her, for a decision on action to be taken.

(g) Sales : the sale of supplies and property plant and equipment declared to be surplus or unserviceable following a recommendation by the Property Survey Board shall be made after competitive bidding or after an assessment of competitive quotations, providing that resort to competitive bidding is not necessary as determined by the terms of reference of the Property Survey Board, based, inter alia, on the estimated sales value. Sales shall be on the basis of cash payments on, or prior to, delivery.

(h) Accounting for proceeds of sales: the proceeds of sales shall be credited as miscellaneous revenue to the regular budget, except in cases where the Property Survey Board has recommended an exception under conditions set out in its terms of reference. The trade-in of property plant and equipment is not considered to be a sale and the allowance shall be applied against the cost of the replacement property, plant and equipment.

#### Internal Auditor

Regulation 8.8: The Director-General shall appoint an Internal Auditor to provide the Organisation with independent, objective assurance and advice designed to add value and improve ICGEB's operations. He/she, and his/her staff as applicable, shall support ICGEB in accomplishing its objectives by bringing a systematic, disciplined and objective approach to assess and improve efficiency and effectiveness of ICGEB's internal control framework, risk management, results-based management and governance processes. Recommendations shall aim to enhance efficiency and effectiveness and foster compliance with ICGEB's rules and procedures.

Regulation 8.9: The Internal Auditor shall perform his/her duties in accordance with the Charter of the Office of Internal Audit (OIA); this Charter (Appendix II of these Financial Regulations) reflects, inter alia, the reporting line, mandate, responsibilities, and the most recent version of the professional standards applicable to the OIA.

### ARTICLE IX. THE ACCOUNTS

#### General Fund

Regulation 9.1:

- (a) Under the regular budget there shall be a General Fund for the purpose of accounting for all expense incurred for general support, including headquarters' facilities.
- (b) To the General Fund shall be credited:
  - (i) the initial contributions referred to in Financial Regulation 5.1(a);
  - (ii) any annual voluntary contributions due from Members pursuant to Financial Regulation 5.1(b);

- (iii) any assessed annual contributions due from Members pursuant to Financial Regulation 5.1(c);
- (iv) revenue from patents and other intellectual property rights of the Centre;
- (v) the share to be charged on general and special voluntary contributions for meeting the costs of general support, including headquarters' facilities.

### Accounts and Financial Statements

#### Regulation 9.2:

- (a) The Director-General shall establish such accounts and maintain such accounting records as are necessary, to conform with International Public Sector Accounting Standards (IPSAS).
- (b) The Director-General shall prepare and submit financial statements for each financial period, including:
  - (i) a statement of financial position;
  - (ii) a statement of financial performance;
  - (iii) a statement of changes in net assets/equity;
  - (iv) a statement of comparison of budget and actual amounts;
  - (v) notes comprising a summary of accounting policies and other explanatory notes.
- (c) The Director-General shall also prepare and submit for each financial period :
  - (i) the original appropriations ;
  - (ii) any supplementary appropriations;

- (iii) the appropriations as modified by any transfers;
- (iv) credits, if any, other than the appropriations voted by the Board;
- (v) the amounts charged against those appropriations and/or other credits;
- (vi) a statement of appropriations by major programme;
- (vii) an analysis of the financial situation of the Centre at the close of the financial period;
- (viii) such other information as may be appropriate.

#### Currency of Accounts

Regulation 9.3: The accounts of the Centre shall be presented in Euro. Accounts and accounting records may, however, be kept in such currency or currencies as the Director-General may deem necessary.

#### Submission of Financial Statements

Regulation 9.4: The financial statements for the financial period shall be submitted by the Director-General to the External Auditor not later than 31 March following the end of the financial period to which they relate.

Regulation 9.5: All financial statements and accounts are to be prepared using the English language.

### ARTICLE X. EXTERNAL AUDIT

#### Appointment of an External Auditor

Regulation 10.1: An External Auditor, who shall be Auditor-General (or an officer exercising an equivalent function) of a Member State, shall be appointed in the manner and for the period decided by the Board.



Regulation 10.2: If the External Auditor ceases to hold office as Auditor-General (or equivalent function) in his own country, his tenure of office as External Auditor shall thereupon be terminated and the Member State to which he belongs will designate as External Auditor his successor for the office of Auditor-General. The External Auditor may not otherwise be removed during his tenure of office, except by the Board.

Regulation 10.3:<sup>5</sup> The External Auditor shall submit his report on the financial statements to the Board through the Council.

---

<sup>5</sup> Article 11, para.4, Statutes of the ICGEB.

## Scope of Audit

Regulation 10.4: The audit shall be conducted in conformity with generally accepted common auditing standards and be subject to any special direction of the Board.

Regulation 10.5: The External Auditor may make observations with respect to the economy, efficiency and effectiveness of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Centre.

Regulation 10.6: The External Auditor shall be completely independent and solely responsible for the conduct of the audit.

Regulation 10.7: The Board or the Council may request the External Auditor to perform certain specific examinations and to issue separate reports on the results.

## Facilities

Regulation 10.8: The Director-General shall provide the External Auditor with the facilities required for the performance of the audit.

Regulation 10.9: For the purpose of making a local or special examination or of effecting economies of audit costs, the External Auditor may engage the services of any national Auditor-General (or officer exercising an equivalent function) or commercial public auditor of known repute or any other person or firm who, in the opinion of the External Auditor, is technically qualified.

## Reporting

Regulation 10.10: The External Auditor shall issue a report on the audit of the financial statements and relevant schedules, which shall include such information as he deems necessary in regard to matters referred to in Financial Regulation 10.5.

Regulation 10.11: The External Auditor's reports, together with the audited financial statements, shall be completed not later than by 1 May following the financial period to which they relate and shall be transmitted to the Board. The Council shall examine the financial statements and the audit reports and transmit its relevant comments to the Board.

## ARTICLE XI. STANDING COMMITTEE

Regulation 11.1: The Board of Governors shall establish a Standing Committee to serve in an advisory capacity and assist the Director-General and the Board in exercising their oversight responsibilities in accordance with relevant best practices and the financial and staff rules and regulations applicable to the ICGEB.

Regulation 11.2: The Committee shall act in an advisory capacity; it is neither a governance body nor an appeal body, has no decision-making power and fulfils its mandate in accordance with the Terms of Reference established by the Board of Governors (Appendix III of these Financial Regulations).

## ARTICLE XII. GENERAL PROVISIONS

### Entry into Force and Amendments

Regulation 12.1: The present Regulations shall become effective as of the date of their approval by the Board. They may be amended only by the Board.

## ANNEX I TO THE FINANCIAL REGULATIONS

### Additional terms of reference governing the audit of the International Centre for Genetic Engineering and Biotechnology

1. The External Auditor shall perform such audit of the accounts of the Centre, 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 Centre;
- 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 Centre'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 as confidential shall be made available on application. The External Auditor and his staff shall 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 Board 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 communicated immediately to the Director-General.

5. The External Auditor shall express and sign an opinion on the financial statements of the Centre. The opinion shall include the following basic elements:

- a) The identification of the financial statements audited;
- b) A reference to the responsibility of the management of the International Centre for Genetic Engineering and Biotechnology 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:
  - The financial statements present fairly the financial position as at the end of the period and the results of the operations for the period;
  - The financial statements were prepared in accordance with the stated accounting policies; and
  - 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 External Auditor's name and position; and
- 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 on the financial operations of the period should mention:

- a) The type and the scope of his examination;
- b) Matters affecting the completeness or accuracy of the accounts, including where appropriate:
  - Information necessary to the correct interpretation of the accounts;
  - Any amounts which ought to have been received, but which have not been brought to account;
  - Any amounts for which a legal or contingent obligation exists and which have not been recorded or reflected in the financial statements;
  - Expenditures not properly substantiated;
  - 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 Board, such as:
- Cases of fraud or presumptive fraud;
  - Wasteful or improper expenditure of the Centre's money or other assets (notwithstanding that the accounting for the transaction may be correct);
  - Expenditure likely to commit the Centre to further outlay on a large scale;
  - Any defect in the general system or detailed regulations governing the control of receipts and disbursements or of supplies and equipment;
  - Expenditure not in accordance with the intention of the Board after making allowance for duly authorized transfers within the budget;
  - Expenditure in excess of appropriations as amended by duly authorized transfers within the budget;
  - Expenditure not in conformity with the authority which governs it;
- d) The accuracy or otherwise of the supplies and equipment records as determined by stock-taking and examination of the records;
- e) If appropriate, transactions accounted for in a previous period concerning which further information has been obtained or transactions in a later period concerning which it seems desirable that the Board 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 Board or to the Director-General.

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

## ANNEX II TO THE FINANCIAL REGULATIONS

### Charter of the Office of the Internal Auditor

#### **I. Preamble**

1. The Office of the Internal Auditor will contribute to ICGEB's vision of providing a scientific and educational environment of the highest standard and conducting innovative research in life sciences for the benefit of developing countries.
2. This Charter establishes the mission, authority and responsibility conferred by the Director-General on the Internal Auditor.
3. The Internal Auditor shall be governed by the terms of this Charter, which has been established pursuant to the provisions of ICGEB's Financial Regulation 8.8 and Annex II to the same Financial Regulations.

#### **II. Mission**

4. The Internal Auditor shall provide the Director-General with independent, objective assurance and advice designed to add value and improve ICGEB's operations. He/she, and his/her staff as applicable, shall support ICGEB in accomplishing its objectives by bringing a systematic, disciplined and objective approach to assess and improve efficiency and effectiveness of ICGEB's internal control framework, risk management, results-based management and governance processes. Recommendations shall aim to enhance efficiency and effectiveness and foster compliance with ICGEB's rules and procedures.
5. Fact-findings are conducted in cases of alleged irregularity, wrongdoing, waste of resources and/or violation of ICGEB's rules and procedures detected by and/or reported to the Internal Auditor.

#### **III. Scope and Objectives**

##### **A. Overview**

6. The activities of the Internal Auditor consist of internal auditing (assurance and advisory services) and fact-finding services.
7. The Internal Auditor's work covers all of ICGEB's systems, processes, operations, functions, and activities.

## **B. Internal Auditing**

### **B.1 Overview**

8. Assurance is an objective examination of evidence for the purpose of providing an independent assessment of the effectiveness of risk management, control and governance processes. For his/her assurance services, the Internal Auditor will rely on risk-based planning and an opinion should be included in each assurance audit report.
9. Advisory services are management-requested activities that intend to add value and improve ICGEB's governance, risk management and control processes without the Internal Auditor assuming management responsibility.
10. The Internal Auditor's main internal auditing activities should be covered by an audit plan, unless such activities are requested on an ad-hoc basis by the Director-General.

### **B.2 Assurance Services**

11. The Internal Auditor shall determine, and provide assurance as appropriate, whether the internal control, risk management and governance processes are adequate and functioning in a manner which ensures that:
  - Risks are appropriately identified and managed;
  - Significant financial, managerial and operating information is accurate, reliable and timely;
  - Actions are in compliance with ICGEB policies, standards of conduct, procedures and applicable regulations and rules;
  - Resources are acquired economically, used efficiently, as well as adequately protected and safeguarded;
  - Programmes and plans are achieved, and results are consistent with established objectives;
  - Quality and continuous improvement are fostered in the Centre's control processes;

### **B.3 Advisory Services**

12. The Internal Auditor may provide advisory services including, but not limited to, review of agreements, policies, procedures, or serving as an observer in a Committee, as designated by the Director-General. Some advisory services may require that the objectives and terms are jointly defined and fixed in written form.

## **C. Fact-finding**

13. The Internal Auditor establishes the existence (proving) or non-existence (disproving) of the elements that constitute a wrongdoing.



#### **IV. Appointment of the Internal Auditor**

14. The functions of internal oversight are carried out by the Internal Auditor, who is appointed by the Director-General. The appointment of the Internal Auditor can be terminated by the Director-General.
15. The Internal Auditor shall be accountable to the Director-General to periodically provide information on the status and results of the annual work plan and the adequacy of resources.
16. The Internal Auditor will conduct his/her work with due professional care, objectivity and stringent regard for safekeeping and confidentiality of information provided to or discovered by him/her, as well as for ICGEB's body of rules and procedures.

#### **V. Independence and Objectivity**

17. The Internal Auditor shall remain free of influence by management, staff or any party related to the ICGEB or external to the ICGEB.
18. To preserve the objectivity necessary to render impartial and unbiased judgment, the Internal Auditor shall **not**:
  - Actually have or have had in the previous 12 months managerial authority over, or operational responsibility for, any of the activities subject to internal auditing or fact-finding;
  - Initiate or approve accounting transactions;
  - Direct the activities of any ICGEB staff member, except to the extent that such staff have been appropriately assigned to, or requested to, assist the Internal Auditor;
  - Perform any other managerial or operational functions for ICGEB; and
  - Engage in any activity which could impair, in fact or appearance, his/her objectivity and/or organizational independence.
19. Before starting, as well as when conducting, any engagement, the Internal Auditor shall declare to the Director-General any impairment, in fact or appearance, to objectivity in relation to the assigned activity. The Internal Auditor shall also report to the Director-General any situation in which an actual or potential impairment to organizational independence may reasonably be inferred, or if he/she has questions whether a situation constitutes impairment to individual objectivity or organizational independence.

#### **VI. Authority**

20. In conducting internal audit or fact-finding activities, the Internal Auditor shall have full authority and be free from interference in determining objectives and scope, timing, performing work and communicating results to relevant parties.
21. In carrying out internal audit or fact-finding work, the Internal Auditor shall:
  - Have full, free, unrestricted and prompt access to all records (in both paper and

electronic format), property, personnel, operations and functions within the ICGEB which, in his/her opinion, are relevant to the subject matter under review;

- Have access to electronic records – except to email accounts, desktops, laptops or servers for which the Director-General is informed and for which the Internal Auditor receives a “no objection” answer;
- Communicate with all staff, at all levels in the ICGEB;
- Request any staff member to provide information and explanations which he/she deems necessary to discharge his/her responsibilities.

25. In the fulfillment of his/her responsibility, the Internal Auditor may use his/her own consultants, contractors, or other ICGEB staff assigned to him/her, as appropriate, and with the agreement of the Director-General.

## **VII. Responsibility**

### **A. The Internal Auditor and assigned staff**

26. The Internal Auditor is responsible for the overall functioning and performance of the internal audit function within the resources allocated to him/her. (see para. 41).

#### **A.1 Internal Auditing**

27. The Internal Auditor shall:

- Submit the internal audit work plan to the Director-General for review and approval; identify and report on significant departures from the approved work plan and reasons thereof for approval by the Director-General;
- Implement the internal audit work plan and, as appropriate, any additional assurance or advisory services requested by the Director-General or recommended by ICGEB’s Board of Governors.

#### **A.2 Fact-finding**

28. The Internal Auditor shall conduct fact-finding activities with regard to specific allegations, with a view to safeguarding the ICGEB’s interests and ensuring accountability.

29. The Internal Auditor shall receive directly from staff members, other personnel and third parties, complaints or information concerning the possible existence of irregularity, fraud, misconduct and/or wrongdoing within the ICGEB. The Internal Auditor may also find possible wrongdoing through his/her own work.

30. In carrying out fact-findings, the Internal Auditor establishes the existence (proving) or non-existence (disproving) of the elements that constitute a wrongdoing. Facts are revealed through evidence gathering. In conducting fact-finding work, the principle of preponderance of evidence is applied when reaching conclusions.

31. However, the Internal Auditor does not deal with staff grievances. If the Internal Auditor is informed of these situations, they will be brought to the attention of the appropriate entities (e.g. Head, Personnel Unit.)

32. The Internal Auditor may assign some fact-finding activities to or ask support of individuals or entities (e.g. Group Leaders.) These individuals or entities are bound by confidentiality and are forbidden to reveal or discuss any information except with the Internal Auditor.
33. In order to combat fraud and corruption, the Internal Auditor shall coordinate with other international organizations or national law enforcement bodies, as appropriate and authorized by the Director-General.

### **A.3 Reporting**

34. The Internal Auditor shall report results and recommendations of internal auditing activities to relevant management, as well as to the Director-General, the External Auditor and the Board of Governors. The report shall also include management comments that encompass management's action(s) and implementation plan for addressing recommendations made. Where significant audit findings or recommendations are not accepted by management or where implementation of recommendations is assessed as unsatisfactory, the Internal Auditor shall draw these issues to the attention of the Director-General, as appropriate. The Director-General ultimately decides whether to accept the audit or review findings and have the recommendations implemented.
35. Reports on fact-finding activities are subject to restricted distribution, with free access given to the External Auditors.
36. After issuance of an Internal Audit report to the Director-General, he/she becomes its custodian and decides further distribution thereof as necessary. The Internal Auditor will give neither access to, nor a copy of, an internal audit report to any party unless expressly directed by the Director-General.
37. The Internal Auditor issues at least annually an Activity Report to the Director-General, with a copy to the External Auditor, that shall cover all internal audit activities and summarize significant oversight findings, recommendations as well as actions taken in response. Upon direction of the Director-General, it may be shared with further layers of management.

### **A.4 Overall Responsibilities**

38. The Internal Auditor shall develop and establish the internal auditing and fact-finding procedures.
39. The Internal Auditor shall establish and maintain a follow-up system to monitor management's progress in implementing recommendations made; prepare periodical summaries of implementation status to the Director-General, underlining where adequate and timely corrective action has not been undertaken by management.
40. The Internal Auditor shall promptly inform the Director-General and, upon his/her direction, the relevant parts of the ICGEB's management, if and when the existence of significant evidence indicates:
  - Significant failures and weaknesses in the ICGEB's internal control framework;

- Known or suspected activities of a criminal or unlawful nature involving the ICGEB's funds, property and/or staff members; and
- Information that was reported to or found by the Internal Auditor during the course of his/her work, including improprieties or misconduct with the potential to damage the Organization's reputation.

## **B. ICGEB management and staff members**

41. The Director-General shall ensure that the Internal Auditor is provided with the necessary resources in terms of appropriate staffing, adequate funding and suitable training to discharge his/her responsibilities, within the budgetary resources available to the ICGEB.
42. Management and staff members of ICGEB shall:
  - Cooperate fully and provide the Internal Auditor with support at all levels;
  - Provide the Internal Auditor with unrestricted access to all records (paper and electronic format), property and personnel relative to the performance of its duties and responsibilities, making available any information deemed relevant by the Internal Auditor;
  - Provide a written response to all Internal Audit reports submitted for their comments, in a timely manner;
  - Devise an action plan to address the recommendation(s) made in Internal Audit reports;
  - Provide the Internal Auditor, on a regular basis, with information on the status of implementation of recommendations and action plans resulting from Internal Audit reports;
  - Promptly advise the Internal Auditor of any perceived weakness or breakdown in the ICGEB's internal control framework; and
  - Promptly inform the Internal Auditor of known or suspected irregularities and/or wrongdoing involving ICGEB's funds, property, staff members, other personnel or third parties in contractual relation to ICGEB.
43. No reprisals shall be taken against staff members or any other third parties who cooperate with or provides information to the Internal Auditor, unless the information was willfully provided with the knowledge that it was false or with intent to misinform. In such cases, the matter will be referred to the Director-General for further appropriate action.
44. Responsibility for complying with rules, procedures and applicable laws, as well as correcting deficiencies, rests with staff members and management. Deterrence of irregularity, wrongdoing, waste of resources, and violations of ICGEB's rules and procedures is the responsibility of management.
45. Internal Audit activities do not in any way relieve staff members and management of the ICGEB of the responsibilities assigned to them.

### **VIII. Relations with the External Auditor**

46. The Internal Auditor shall have free and unrestricted access to the External Auditor.
47. The Internal Auditor and the External Auditor will share information and coordinate their activities to ensure a wide and effective coverage of the ICGEB's activities, as well as minimize duplication of efforts, with due regard for each party's mandate and responsibilities.

### **IX. Standards of Practice**

48. The Internal Auditor will conduct his/her work in conformance with relevant professional standards:
  - For internal audit work: the *International Professional Practices Framework*<sup>6</sup> issued by The Institute of Internal Auditors, in its latest version<sup>7</sup>;
  - For fact-findings: *the Uniform Principles and Guidelines for Investigations (formerly Uniform Guidelines for Investigations)* adopted by the 3rd Conference of International Investigators (CII) in April 2003 and revised at the 10th CII in June 2009;

### **X. Amendment to the Charter**

49. The Internal Auditor is responsible for applying this Charter and proposing amendments to the Director-General as required. Amendment of this Charter is subject to the approval of the Director-General.

---

<sup>6</sup> Since 1 January 2009. Including the mandatory elements *Standards for the Professional Practice of Internal Auditing, Code of Ethics and Definition of Internal Auditing*.

<sup>7</sup> The latest amendment of the Standards for the Professional Practice of Internal Auditing is effective as of 1 January 2011.

## ANNEX III TO THE FINANCIAL REGULATIONS

### Terms of Reference of the Standing Committee

#### **I – PURPOSE**

1. A Standing Committee (hereinafter “the Committee”) is established to serve, in an advisory capacity and assist the Director-General and the Board of Governors in exercising their oversight responsibilities in accordance with relevant best practices and the financial and staff regulations and rules applicable to the ICGEB.
2. The Committee shall act in an advisory capacity: is neither a governance body nor an appeal body and has no decision-making power, unless mandated by the Board of Governors if and when the need arises and on a case-by-case basis

#### **II – MANDATE**

3. The Committee shall:
  - a) Consider relevant reports by the Internal and External Auditors, including information on the financial statements and management letters issued by the External Auditor;
  - b) Review ICGEB’s financial statements and reports with a view to providing advice on qualitative improvements;
  - c) Review the effectiveness of ICGEB’s systems for internal control and accountability;
  - d) Ensure an adequate level of engagement of the ICGEB Member States with the Secretariat in between the regular sessions of the Board of Governors;
  - e) Review systematically any procedural matter that may have been brought to its attention by the Board of Governors;
  - f) Prepare an annual report on its activities and recommendations, and submit it to the Board of Governors, through the Director-General

#### **III – MEMBERSHIP**

4. The Committee shall comprise the Bureau of the Board of Governors (President and Vice-President), the Director-General, one representative from each Country hosting an ICGEB Component (India, Italy and South Africa) and a representative from five other Member States.
5. The above-referred five Member States shall be nominated and elected by the Board of Governors from among the Member States that have no outstanding financial

commitments with the ICGEB at the time of election and should be selected on the basis of a fair geographic distribution.

6. Apart from the initial election (see below), the five Member States will serve a two-year term, after which they may be re-nominated only once.
7. Upon establishment of the Committee, two of the Five Member States, to be identified by the drawing of lots, shall serve an initial term of three years.
8. The three Host Countries and the five Member States shall be represented by their respective Governors or Alternate Governor. These representatives may be assisted by relevant experts if and when required.
9. The three Directors of Component and the Secretary of the Board of Governors shall participate in the meetings of the Committee as non-voting members.

#### **IV – MEETINGS**

10. The Committee shall adopt its own rules of procedure, which shall be communicated to the Board of Governors. The Committee shall meet at least once and, generally, not more than three times in a year. Virtual meetings or teleconferences are also to be envisaged.
11. The Committee shall be chaired by the President of the Board of Governors, and the secretarial servicing of the Committee shall be provided by the existing internal resources of the ICGEB.
12. The Committee shall endeavour to adopt its conclusions by consensus. The quorum for a meeting shall be five Member States, among which at least one Host Country.
13. Members in the Committee are expected to finance their involvement in its meetings.
14. Members of the Committee shall act in an independent, non-executive capacity while performing their advisory role in the Committee; as such, they shall not be held personally liable for advice provided by the Committee acting as a whole.
15. The deliberations of the Committee and the minutes of its meetings are confidential. The supporting documents circulated to its members shall be used solely for that purpose and treated as confidential.

#### **V – REPORTING**

16. The Committee shall submit its annual report to the Board of Governors, containing an overview of its activities and its recommendations based on findings concerning the previous calendar year.

17. The annual report shall also contain any relevant information on the costs incurred by the ICGEB Secretariat in organising and holding the meeting(s) of the Committee in the course of the previous calendar year.

#### **VII – REVIEW OF THE TERMS OF REFERENCE**

18. These terms of Reference shall be reviewed at least every two years. Any updates shall be approved by the Board of Governors.