

**RULES**

**FINANCIAL REGULATIONS AND  
FINANCIAL RULES OF THE  
INTERNATIONAL COFFEE ORGANIZATION**

*(APPROVED BY THE INTERNATIONAL COFFEE COUNCIL  
ON 23 MAY 1997)*

EB-3634/97 (E)  
10 June 1997

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## INTRODUCTION

The Financial Regulations and Financial Rules of the International Coffee Organization contained in this document were approved by the International Coffee Council at its Seventy-second Session on 23 May 1997.



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# FINANCIAL REGULATIONS OF THE INTERNATIONAL COFFEE ORGANIZATION

## ARTICLE 1

### **Applicability**

**Regulation 1.1:** These Regulations shall govern the financial administration of the Organization.

## ARTICLE 2

### **Financial year**

**Regulation 2.1:** The financial year shall be from 1 October to 30 September.

## ARTICLE 3

### **The Budget**

**Regulation 3.1:** The Budget for the financial year shall be prepared by the Executive Director and supervised by the Finance Committee.

**Regulation 3.2:** The Budget shall cover income and expenditure for the financial year and shall be presented in pounds sterling.

**Regulation 3.3:** The Budget shall be divided into items and sub-items, and shall be accompanied by such information, annexes and explanatory statements as may be requested by, or on behalf of, the Council and such further annexes or statements as the Executive Director may deem necessary and useful.

**Regulation 3.4:** The Executive Board shall examine the Budget prepared by the Executive Director and submit it to the ordinary session of the Council with such recommendations as it considers desirable. The Budget shall be sent to all Members so as to reach them at least 30 days before the session of the Council at which the Budget is to be approved.

**Regulation 3.5:** The Executive Director shall submit the Budget to the Executive Board for examination not later than 30 June of the year preceding the year in which the Budget is to take effect.

**Regulation 3.6:** The Budget shall be adopted by the Council.

**Regulation 3.7:** Supplementary estimates may be submitted by the Executive Director whenever necessary.

**Regulation 3.8:** The Executive Director shall prepare any supplementary estimates in a form consistent with the Budget for the financial year and shall submit them to the Executive Board. The Executive Board shall examine the supplementary estimates and submit them to the Council for approval.

#### ARTICLE 4

##### **Appropriations**

**Regulation 4.1:** The appropriation voted by the Council shall constitute an authorization to the Executive Director to incur obligations and make payments for the purposes for which the appropriations were voted and up to the amounts so voted.

**Regulation 4.2:** Appropriations shall be available for obligation during the financial year to which they relate.

**Regulation 4.3:** Appropriations shall remain available for 12 months following the end of the financial year to which they relate to the extent that they are required to discharge obligations in respect of goods supplied and services rendered in the financial year and to liquidate any other outstanding legal obligations of the financial year. The balance of the appropriations remaining unobligated at the close of a financial year shall be transferred to the Reserve Fund unless otherwise decided by the Council.

**Regulation 4.4:** If any appropriation is insufficient the Executive Board may authorize the increase of such appropriation by transfer from another appropriation within the approved Budget.

#### ARTICLE 5

##### **Provision of funds**

**Regulation 5.1:** The appropriations, subject to the adjustments effected in accordance with the provisions of Regulation 5.2, shall be financed by contributions from Members, according to the scale of assessments determined by the Council under the provisions of Article 22 of the Agreement, and other items of revenue. Pending the receipt of such contributions the appropriations may be financed from the Reserve Fund.

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**Regulation 5.2:** After the Council has adopted the Budget the Executive Director shall:

- (a) transmit the relevant documents to Members;
- (b) inform Members of their commitments in respect of contributions to the Budget; and
- (c) request them to pay their contributions for the financial year.

**Regulation 5.3:** Contributions shall become due on 1 October and payable in full by 31 March of the financial year.

**Regulation 5.4:** Contributions to the Budget shall be assessed in pounds sterling and paid either in pounds sterling or other freely convertible currency.

**Regulation 5.5:** The Executive Director shall submit to each session of the Council a report on the collection of contributions.

**Regulation 5.6:** New Members shall be required to make a contribution for the financial year in which they become Members in accordance with paragraph (3) of Article 22 of the Agreement.

## ARTICLE 6

### Funds

**Regulation 6.1:** A Reserve Fund shall be established for the purposes of meeting potential obligations or requirements in the event of the need to terminate the Agreement and of accounting for the expenditures of the Organization. The Executive Director shall provide each Council session with a detailed, up-to-date statement of the expenditure which would entail liquidation of the Organization.

**Regulation 6.2:** Sums transferred from the Reserve Fund to finance budget appropriations for the duration of a financial year shall be repaid to the Reserve Fund at the latest during the following financial year, except when the Reserve Fund already has sufficient resources to finance the liquidation of the Organization.

**Regulation 6.3:** Except where sums thus transferred may be recovered from other sources, advances from the Reserve Fund for extraordinary, unforeseen expenditure shall be repaid under the conditions laid down in Regulation 6.2.

**Regulation 6.4:** The allocation of income from investment of Reserve Fund resources shall be decided in the context of the establishment of the Budget, taking into account the resources necessary to finance the liquidation of the Organization.

**Regulation 6.5:** Trust funds and special accounts may, with the approval of the Executive Board, be established by the Executive Director.

**Regulation 6.6:** The purpose and limit of each trust fund and special account shall be clearly defined by the appropriate authority. The Executive Director may, when necessary in connection with the purposes of the Reserve Fund, trust fund or special account, prepare special financial regulations to govern the operations of such funds and accounts for the approval of the Executive Board. Unless otherwise provided, such funds and accounts shall be administered in accordance with these Regulations.

#### ARTICLE 7

##### **Other income**

**Regulation 7.1:** All other income except:

- (a) contributions of Members;
- (b) revenue items brought to account in assessing the amount of contribution required to meet the budgeted expenditure;
- (c) direct refund of expenditures made during the financial year; and
- (d) advances or deposits to funds;

shall be classified as miscellaneous income, for credit to the Reserve Fund.

**Regulation 7.2:** Voluntary contributions, whether or not in cash, may be accepted by the Executive Director provided that the purposes for which the contribution is made are consistent with the policies, aims and activities of the Organization and provided that the acceptance of such contributions which directly or indirectly involve additional financial liability for the Organization shall require the consent of the Executive Board.

**Regulation 7.3:** Monies accepted for purposes specified by the donor shall be treated as trust funds or special accounts under Regulations 6.5 and 6.6.

#### ARTICLE 8

##### **Custody of funds**

**Regulation 8.1:** The Executive Board shall approve the bank or banks in which the funds of the Organization shall be kept.

#### ARTICLE 9

##### **Investment of funds**

**Regulation 9.1:** The Executive Director may invest on a short-term basis sums which are not required to cover immediate needs and shall inform the Executive Board periodically of the nature and duration of these investments.



**Regulation 9.2:** The Executive Director may make long-term investments of monies standing to the credit of the Reserve Fund, trust funds and special accounts as may be provided for by the appropriate authority in respect of each such fund or account. However, these investments must not mature after the end of the International Coffee Agreement and must not increase the cost of liquidation of the Organization if advance termination of the Agreement is decided on.

**Regulation 9.3:** Income derived from investments shall be credited as provided for in the rules relating to each fund or account.

## ARTICLE 10

### **Internal control**

**Regulation 10.1:** The Executive Director shall:

- (a) establish detailed financial rules and procedures in order to ensure effective financial administration and the exercise of economy;
- (b) cause all payments to be made on the basis of supporting vouchers and other documents which ensure that the services or goods have been received, and that payment has not previously been made;
- (c) designate the officers who may receive monies, incur obligations and make payments on behalf of the Organization and shall define their responsibilities for them in writing; and
- (d) maintain an internal financial control which shall provide for an effective current examination and/or review of financial transactions in order to ensure:
  - (i) the regularity of the receipt, custody and disposal of all funds and other financial resources of the Organization;

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- (ii) the conformity of obligations and expenditures with the appropriations or other financial provision voted by the Council or with the purposes and rules relating to trust funds and special accounts; and
  - (iii) the economic use of the resources of the Organization.

**Regulation 10.2:** No obligations shall be incurred until allotments or other appropriate authorizations have been made in writing under the authority of the Executive Director.

**Regulation 10.3:** The Executive Director may, after full investigation, authorize the writing-off of losses of cash, stores and other assets, provided that a statement of all such amounts written off be submitted to the auditor with the annual accounts.

#### ARTICLE 11

##### **The accounts**

**Regulation 11.1:** The Executive Director shall maintain such accounting records as are necessary and shall submit annual accounts showing for the financial year to which they relate:

- (a) the income and expenditure of all funds;
- (b) the status of appropriations, including:
  - (i) the original budget appropriations;
  - (ii) the appropriations as modified by any transfers;
  - (iii) credits, if any, other than the appropriations voted by the Council; and
  - (iv) the amounts charged against those appropriations and/or other credits;
- (c) the assets and liabilities of the Organization; and
- (d) investments made and financial performances obtained.

The Executive Director shall also give such other information as may be appropriate to indicate the current financial position of the Organization.

**Regulation 11.2:** The annual accounts of the Organization shall be presented in pounds sterling. Accounting records may, however, be kept in such currency or currencies as the Executive Director may deem necessary.

**Regulation 11.3:** Appropriate separate accounts shall be maintained for the Reserve Fund, trust funds and special accounts.

**Regulation 11.4:** The annual accounts shall be submitted by the Executive Director to the auditor so that they may be audited and presented to the Council as soon as possible and not later than six months after the close of the financial year to which they relate.

## ARTICLE 12

### External audit

**Regulation 12.1:** An external auditor shall be appointed by the Executive Director in consultation with the Executive Board. The auditor appointed may not be removed during his/her tenure of office except by the Council.

**Regulation 12.2:** The audit shall be conducted in conformity with generally accepted common auditing standards and subject to any special direction of the Council.

**Regulation 12.3:** The external auditor may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and in general the administration and management of the Organization.

**Regulation 12.4:** The external auditor shall be completely independent and solely responsible for the conduct of the audit.

**Regulation 12.5:** The Council may request the external auditor to perform certain specific examinations and to issue separate reports on the results.

**Regulation 12.6:** The Executive Director shall provide the external auditor with the facilities he may require in the performance of the audit.

**Regulation 12.7:** Whenever it is necessary to make a local or special examination, the Executive Director may, subject to the budgetary provision for the audit concerned, arrange for the services of any national Auditor-General (or equivalent title) who is eligible to be appointed or of public auditors of known repute or any other person or firm who, in the opinion of the external auditor, is technically qualified.

**Regulation 12.8:** The external auditor shall issue a report on the audit of the financial statements and relevant schedules, which shall include such information as he/she deems necessary in regard to matters referred to in Regulation 12.3.

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**Regulation 12.9:** The external auditor's reports, together with the audited financial statements, shall be transmitted through the Executive Board to the Council in accordance with the provisions of Article 25 of the Agreement. The Executive Board shall examine the financial statements and the audit reports and shall present them to the Council for approval and publication with such comments as it deems appropriate.

#### ARTICLE 13

##### **Resolutions involving expenditures**

**Regulation 13.1:** No committee, commission or other competent body shall take a decision involving expenditure unless it has before it a report from the Executive Director on the administrative and financial implications of the proposal.

**Regulation 13.2:** Where, in the opinion of the Executive Director, the proposed expenditure cannot be made from the existing appropriations, it shall not be incurred until the Executive Board has made the necessary appropriations.

#### ARTICLE 14

##### **General provisions**

**Regulation 14.1:** These Regulations shall be effective as of the date of their approval by the Council and may be amended only by the Council.

**Regulation 14.2:** No Article or Articles of these Regulations may be suspended except by decision of the Council, taken by a two-thirds majority of the Members present and voting. The duration of such suspension shall be specified by the Council.

#### ARTICLE 15

##### **Special provisions**

**Regulation 15.1:** Rules established by the Executive Director to carry out the provisions of these Regulations shall be communicated to the Executive Board for approval.

**FINANCIAL RULES OF THE  
INTERNATIONAL COFFEE ORGANIZATION**

ARTICLE 1

**Scope and application**

**Rule 1.1: Purpose** These Rules implement the provisions of the Financial Regulations and establish the financial procedures of the Organization.

**Rule 1.2: Applicability** These Rules are applicable to all offices and to all financial transactions of the Organization.

**Rule 1.3: Effective date** These Rules as well as further amendments made by the Executive Director become effective as from the date of issue.

ARTICLE 2

**Responsibility and authorities**

**Rule 2.1: Responsibility** The Executive Director, by virtue of the authority vested in him as the chief administrative officer of the Organization, is responsible to the Council for the implementation of these Rules.

**Rule 2.2: Delegation of authority** The Executive Director may delegate, together with authorization for redelegation, such of his powers as he deems necessary to secure effective administration of these Rules.

ARTICLE 3

**Appropriations**

**Rule 3.1:** The appropriations voted by the Council constitute authorization to the Executive Director to issue allotments up to the amount of the approved appropriation.

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ARTICLE 4

**Obligations**

**Rule 4.1:** Only those officials designated in writing by the Executive Director are authorized to incur obligations. Every person incurring an obligation is responsible to the Executive Director for the obligations incurred.

**Rule 4.2:** Obligations may be incurred only if they comply with the Financial Regulations and Rules and any other applicable regulations or rules and if they are certified as being in accordance with the approved work plans.

**Rule 4.3:** Except as provided for in Rules 4.4, 4.5, 4.6 and 4.9 all proposed obligations shall be submitted for the prior approval of the Head of Administration.

**Rule 4.4:** The Head of Administration may delegate to officers designated for this purpose the authority to examine and approve obligations within limits approved from time to time by the Executive Director.

**Rule 4.5:** The Head of Administration, or the officers designated for this purpose, shall be responsible for examining the proposed obligations to ensure that:

- (a) they are certified to be in accordance with the approved work plans;
- (b) funds are available under the particular budget item;
- (c) the terms and currency of payment are acceptable;
- (d) they are in accordance with the Financial Regulations and Rules and the Staff Regulations and Rules;
- (e) they conform to existing policies and procedures;
- (f) the amount to be paid is reasonable;
- (g) the contract is drawn up in such a manner as to form a sound financial transaction and meet the requirements of Article 24 of the Agreement; and
- (h) the interests of the Organization have been fully protected.

**Rule 4.6:** The Head of Administration, or the officer designated for this purpose, after examining each proposed obligation shall signify his/her approval in writing on each obligating document. Revisions to an obligation shall require the same treatment as the original obligation.

**Rule 4.7:** The appropriate internal procedures applicable to each category of obligation shall be followed in every case.

**Rule 4.8:** Any official authorizing or incurring obligations shall be personally responsible for actions or decisions taken in disregard of these Rules and for failure to follow the appropriate procedure.

**Rule 4.9:** The prior approval of the Head of Administration shall not be required for obligations incurred by engaging members of the staff. The control over this is primarily exercised by the Executive Director and the Head of Administration through the establishment tables and by the Financial Controller in accordance with allotments.

## ARTICLE 5

**Control of expenditure**

**Rule 5.1:** Except where otherwise provided for in these Rules payment shall be made only for services rendered or goods delivered.

**Rule 5.2:** Payments shall not be effected unless the request and supporting documents are certified by the appropriate officers to indicate:

- (a) that the goods have been delivered or the services rendered in accordance with the terms of the contract;
- (b) that the amount to be paid is correct and in accordance with the terms of payment; and
- (c) that payment has not previously been made.

**Rule 5.3:** The Head of Administration, or the officer designated for this purpose, shall be responsible for ensuring that all proposed payments are properly chargeable against the accounts indicated and, when applicable, against the obligation document approved by him/her.

**Rule 5.4:** Should the Head of Administration feel for any reason that payment of any claim should be withheld, such claim shall be referred to the Executive Director, who shall, in writing, direct the action to be taken.

**Rule 5.5:** Payment vouchers and all supporting documents shall be retained in appropriate files as an integral part of the official accounts of the Organization.

**Rule 5.6:** The Financial Controller shall be notified by the Head of Personnel and Office Management of all personnel actions and all changes in salary scales in order that he/she may give effect to such changes in establishing the payroll.

## ARTICLE 6

**Imprest cash**

**Rule 6.1:** Imprest cash advances of an amount to be fixed in each case shall be made where necessary to officials designated by the Head of Administration.



**Rule 6.2:** Officials to whom an imprest cash advance is issued shall be responsible for the advance and must at any time be in a position to account for it.

**Rule 6.3:** Imprest cash advances may be replenished at the request of the imprest holder on presentation to the Financial Controller of expenditure statements and supporting vouchers. These statements and vouchers shall be drawn up in the form prescribed by the Head of Administration.

#### ARTICLE 7

##### **Advances**

**Rule 7.1:** Travel expense advances may be made to officials to whom travel authorizations have been issued. Such advances are to be used in accordance with the provisions of the relevant Regulations and Rules and must be accounted for when the travel is completed.

**Rule 7.2:** Salary advances may be made to members of the staff under circumstances established by the Executive Director.

## ARTICLE 8

**Management of funds**

**Rule 8.1:** The Financial Controller is responsible for the management, receipt and disbursement of all funds of the Organization.

**Rule 8.2:** Funds of the Organization shall be deposited only in banks or institutions approved by the Executive Board.

**Rule 8.3:** The Financial Controller shall administer all banking accounts operated by the Organization including those opened for trust and other special purposes, maintaining separate accounts for each bank or cash account in which all receipts and payments shall be entered in chronological order. Receipts and payments shall be supported by either receipt or payment vouchers drawn up *a priori* by the appropriate official in the Accounting and Finance Section.

**Rule 8.4:** Cheques drawn and transfer orders made on all such accounts except imprest accounts shall be signed by two persons from the signatories which shall be designated by the Executive Director.

**Rule 8.5:** No interest shall be payable on sums deposited with the Organization. Should any interest accrue on investments made on behalf of a second party, the amount of such interest shall be repaid to the same second party, subject to the deduction, if necessary, of a commission, the amount of which shall be determined by the Executive Director.

## ARTICLE 9

**The accounts**

**Rule 9.1:** The Financial Controller is responsible for establishing and maintaining all official accounting records of the Organization.

**Rule 9.2:**

- (a) Apart from the employment of staff under an authorized establishment table and consequent commitments under the Staff Regulations and Rules, no obligation shall be incurred exceeding an amount determined by the Executive Director from time to time unless credits have been reserved in the accounts to cover such obligations.
- (b) At the end of a financial year the accounts shall be adjusted to take into account all unliquidated commitments during that financial year for which credits have not previously been reserved.

**Rule 9.3:** Obligations shall be recorded in the accounts of the financial year in which they are incurred. Receipts shall be credited to the account of the financial year to which they relate.

**Rule 9.4:** Expenditure shall be charged to the account of the financial year to which they relate, subject to the provisions of Financial Regulation 4.3.

**Rule 9.5:** The accounting records shall comprise:

- (a) Members' contributions assessed, received and unpaid;
- (b) general accounts including all subsidiary records;
- (c) budget accounts showing allotments, obligations and expenditures in accordance with Rule 9.8;
- (d) treasury accounts showing all receipts and disbursements and records of investments;
- (e) such other accounts as are necessary to prepare periodic statements showing the financial situation of the Organization; and
- (f) the accounts relating to the Reserve Fund, trust funds and special accounts.

**Rule 9.6:** All accounting records shall be supported by documentation to be retained in appropriate files as integral parts of the official accounts of the Organization.

**Rule 9.7:** The Accounting and Finance Section shall maintain records showing:

- (a) the appropriations voted by the Council and the adjustments made subsequently in these appropriations;
- (b) the total allotments made against such appropriations; and
- (c) the unallotted balance of the appropriation.

**Rule 9.8:** The Financial Controller shall maintain allotment accounts showing:

- (a) the original allotments and any adjustments;
- (b) the amount of obligations incurred and obligations liquidated;

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- (c) the amount of expenditures; and
  - (d) the unobligated balance of allotments.

**Rule 9.9:** The Financial Controller shall furnish:

- (a) monthly statements showing the budgetary situation on all accounts;
- (b) such other periodic financial statements required by the Financial Regulations;
- (c) financial statements required by the Executive Director, the Executive Board or the Council; and

- (d) the annual statements of accounts of all funds.

**Rule 9.10:** The annual accounts shall be approved by the Executive Director and submitted to the auditor so that they may be audited and presented to the Council as soon as possible and not later than six months after the close of the financial year to which they relate.

## ARTICLE 10

### **Property**

**Rule 10.1:** The cost of all property acquired, other than real property, shall be charged as an expenditure out of the Budget for the year in which the obligation for its acquirement is incurred.

**Rule 10.2:** Surplus property shall be sold for the best possible return to the Organization except when the exchange of surplus property in partial payment for the new articles will afford an advantage to the Organization over the sale of surplus property and separate purchase of new articles.

**Rule 10.3:** The proceeds from the sale of property shall be taken into account as miscellaneous income except that when items are sold for replacement the proceeds may be credited against the purchase price of the new article as a reduction of the expenditure if the purchase and sale are effected in the same financial year.

**Rule 10.4:** Property records shall be maintained of all real property, furniture and equipment, however acquired and from whatever source, containing full details.

**Rule 10.5:** A statement as at the end of each financial year shall be handed to the auditor showing all real property, furniture and equipment belonging to the Organization.

## ARTICLE 11

### **External audit**

**Rule 11.1:** The Financial Controller shall arrange for the auditor to have access at all convenient times during the year to all accounting records and information relevant thereto which they may require. Requests for information classified as confidential shall be made to the Executive Director and, in making their report, direct quotations from such documents shall be avoided by the auditor.