



INTERNATIONAL COFFEE ORGANIZATION  
ORGANIZACIÓN INTERNACIONAL DEL CAFÉ  
ORGANIZAÇÃO INTERNACIONAL DO CAFÉ  
ORGANISATION INTERNATIONALE DU CAFÉ

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## **Financial Rules and Financial Regulations of the International Coffee Organization**

### **Background**

1. Under the provisions of paragraph (3) of Article 9 of the International Coffee Agreement 2007, the International Coffee Council shall establish such rules and regulations, including its own rules of procedure and the financial and staff regulations of the Organization, as are necessary to carry out the provisions of this Agreement and are consistent therewith.
2. At its 100<sup>th</sup>, 101<sup>st</sup> and 102<sup>nd</sup> Sessions in coffee years 2007/08 and 2008/09, the Council reviewed proposals for revisions to the Financial Rules and Financial Regulations of the Organization under the ICA 2001 (see document EB-3634/97) in preparation for the entry into force of the ICA 2007.
3. This document contains the Financial Rules and Financial Regulations of the Organization under the International Coffee Agreement 2007 which were approved by the Council at its 102<sup>nd</sup> Session from 18 to 20 March 2009.

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# **FINANCIAL RULES OF THE INTERNATIONAL COFFEE ORGANIZATION**

## **RULE 1 Applicability**

These Rules ('the Financial Rules') shall govern the financial administration of the Organization.

## **RULE 2 Financial year**

The financial year shall be from 1 October to 30 September.

## **RULE 3 Role of the Finance and Administration Committee**

In order to clarify the relative roles of the Finance and Administration Committee and the Council in discussing and approving matters of a financial or administrative nature, their roles shall be determined as follows, unless a particular Rule specifies otherwise:

- a) the role of the Finance and Administration Committee is to examine and review matters of a financial or administrative nature. On the basis of this review, the Committee will request further information or ask the Secretariat to make amendments to documents presented to it. As a consequence of this review or reviews, the Committee will make recommendations to the Council regarding the approval of the documents and consequently of the action or actions flowing from those documents. This will apply in particular to the draft Administrative Budget stipulated in Rule 4 et seq, but also to other documents of a financial or administrative nature. The Finance and Administration Committee will also identify issues which it feels should be brought to the attention of the Council and/or which require a decision. The Finance and Administration Committee will not have the power to make decisions itself; and
- b) the role of the Council, in this respect, will be to make decisions, where necessary, on matters referred to it by the Finance and Administration Committee. It may also request information from the Finance and Administration Committee and may defer decisions pending the receipt of such information.

**RULE 4****Structure of the Administrative Budget**

1. All income and expenditure of the Organization shall be brought to account, shall be shown separately and in full in an administrative budget and shall be shown in the same manner in the annual accounts.
2. The Administrative Budget shall include:
  - (a) all estimated income for the following financial year and for the current financial year, together with appropriate notes and an explanatory memorandum, including the calculation for the contributions payable by Members;
  - (b) all other financial resources of the Organization;
  - (c) estimated expenditure for the following financial year and authorized expenditure for the current financial year, subdivided into the various budgetary headings and items, explained in notes or an explanatory memorandum; and
  - (d) an establishment table showing the authorized posts in the current financial year, and posts requested for the following year, subdivided into classifications and departments.

**RULE 5****Preparation and adoption of the Administrative Budget**

1. Not later than 31 May of each year the Executive Director shall, in accordance with paragraph (1) of Article 20 of the Agreement, submit to the Finance and Administration Committee a draft Administrative Budget for the following financial year in the manner prescribed in the Financial Rules. The draft Administrative Budget, having been reviewed and, as appropriate, in the course of its deliberations amended by the Committee, shall then be sent by the Committee with its recommendation to the persons designated in accordance with Rule 7 of the Rules of the International Coffee Organization ('Rules of the ICO') to arrive at least 30 days before the session of the Council at which the Administrative Budget is to be approved. If the Committee does not reach a unanimous decision relating to its recommendation, it will inform the Council of this fact and the reasons therefor, with a view to requesting a final decision from the Council on the issue (-s) raised.

2. Should circumstances so require, the Executive Director may submit to the Finance and Administration Committee proposals for supplementary expenditure during any financial year together with proposals for meeting such supplementary expenditure.
3. The Budget shall cover income and expenditure for the financial year and shall be presented in pounds sterling.
4. 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.
5. The Budget shall be adopted by the Council.

#### RULE 6

#### **Administration of the Budget**

1. The adoption of the Administrative Budget by the Council shall constitute the authority of the Executive Director to receive payments, to incur obligations and to make expenditure within the limits of the Administrative Budget.
2. Budgeted expenditure shall be available for obligation during the financial year to which it relates.
3. Items authorized for expenditure 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 budgeted expenditure remaining unobligated at the close of a financial year shall be transferred to the Reserve Fund unless otherwise decided by the Council.

#### RULE 7

#### **Provision of funds**

1. The budgeted expenditure shall be financed by contributions from Members according to the scale of assessments determined by the Council under the provisions of Article 20 of the Agreement, and other items of revenue. Pending the receipt of such contributions the budgeted expenditure may be financed from the Reserve Fund.

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.
3. Contributions shall become due on 1 October and payable in full by 31 March of the financial year.
4. Contributions to the Budget shall be assessed in pounds sterling and paid either in pounds sterling or other freely convertible currency.
5. The Executive Director shall submit to each session of the Council a report on the collection of contributions.
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 20 of the Agreement.

#### RULE 8

#### **Reserve Fund and other Funds**

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 expenditure of the Organization. The Executive Director shall provide each Council session with an up-to-date estimate of the expenditure which the liquidation of the Organization would entail.
2. Sums transferred from the Reserve Fund to finance budgeted expenditure 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.
3. Except when 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 Rule 8.2.

4. The allocation of income from the 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.

5. The Executive Director may request the Finance and Administration Committee to consider the establishment of trust funds and special accounts. The Committee will review the request and send it to the Council with its recommendation regarding a decision.

6. The purpose and limit of each trust fund and special account shall be clearly defined by the appropriate authority in consultation with the Finance and Administration Committee. 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 review of the Finance and Administration Committee which will forward its recommendation for a decision to the Council. Unless otherwise provided, such funds and accounts shall be administered in accordance with these Financial Rules.

#### RULE 9 **Other income**

1. All income other than:

- (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 expenditure made during the financial year; and
- (d) advances or deposits to funds;

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

2. Voluntary contributions, whether or not in cash, may be accepted by the Executive Director provided that the purposes for which the contributions are made are consistent with the policies, aims and activities of the Organization and shall be reviewed in advance by the Finance and Administration Committee which shall forward its recommendation regarding a decision on such acceptance to the Council.

3. Voluntary contributions which directly or indirectly involve additional financial liability for the Organization shall be reviewed by the Finance and Administration Committee which shall forward its recommendation regarding a decision on such acceptance to the Council.

4. Monies accepted for purposes specified by the donor shall be treated as trust funds or special accounts under Rules 8.5 and 8.6.

RULE 10  
**Custody of funds**

The Finance and Administration Committee shall review the bank or banks in which the funds of the Organization shall be kept and shall forward its recommendation regarding a decision to the Council.

RULE 11  
**Investment of funds**

1. The Executive Director may invest on a short-term basis sums which are not required to cover immediate needs and shall inform the Finance and Administration Committee periodically of the nature and duration of these investments which shall review and inform the Council accordingly.

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.

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

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RULE 12  
**Financial control**

1. The Executive Director shall:
  - (a) set up and maintain a system of internal control which shall provide for the effective supervision of financial transactions in order to ensure regularity in the receipt, disposal and custody of all funds and other resources of the Organization, value for money and to ensure compliance with the Administrative Budget or other financial provisions approved by the Council;
  - (b) deposit all revenues received in an account or accounts opened in the name of the International Coffee Organization at a bank or banks approved by the Council and arrange for withdrawals by cheque signed by two persons designated by the Executive Director, not more than one of whom shall be in charge of internal control;
  - (c) keep an inventory of all acquisitions deemed to be of a capital nature;
  - (d) establish detailed financial rules and procedures in order to ensure effective financial administration and the exercise of economy;
  - (e) cause all payments to be made on the basis of supporting invoices and other documents which ensure that the services or goods have been received, and that payment has not previously been made; and
  - (f) 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.
  
2. No obligations shall be incurred until appropriate authorization has been made in writing under the authority of the Executive Director.
  
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 is submitted to the auditors with the Annual Accounts.

RULE 13  
**The accounts**

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 budgeted expenditure, including:
    - (i) the original budgeted expenditure;
    - (ii) the budgeted expenditure as modified by any transfers;
    - (iii) credits, if any, other than the budgeted expenditure approved by the Council; and
    - (iv) the amounts charged against the budgeted expenditure and/or other credits;
  - (c) the assets and liabilities of the Organization; and
  - (d) investments made and financial performance obtained.

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

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.
3. Appropriate separate accounts shall be maintained for the Reserve Fund, trust funds and special accounts.
4. The Annual Accounts shall be submitted by the Executive Director to the auditors 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.

RULE 14  
**Auditing and submission of accounts**

1. The Executive Director shall appoint annually registered auditors in consultation with the Finance and Administration Committee and the Council. As soon as possible and not later than six months after the close of each financial year, the Executive Director shall submit to the Council, through the Finance and Administration Committee, an independently

audited statement of the Organization's assets, liabilities, income and expenditure during the financial year. This statement shall be presented to the Council for approval at its earliest forthcoming session.

2. The auditors appointed may not be removed during their tenure of office except by the Council.

3. The audit shall be conducted in conformity with generally accepted common auditing standards and subject to any special direction of the Finance and Administration Committee.

4. The external auditors 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.

5. The external auditors shall be completely independent and solely responsible for the conduct of the audit.

6. The Council may request the external auditors to perform certain specific examinations and to issue separate reports on the results.

7. The Executive Director shall provide the external auditors with the facilities they may require in the performance of the audit.

8. 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 auditors, is technically qualified.

9. The external auditors shall issue a report on the audit of the financial statements and relevant schedules, which shall include such information as they deem necessary in regard to matters referred to in Rule 14.4.

10. The external auditors' reports, together with the audited financial statements, shall be transmitted through the Finance and Administration Committee to the Council in accordance with the provisions of Article 23 of the Agreement. The Finance and Administration Committee 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.

**RULE 15****Resolutions involving expenditure**

1. No ICO body, in accordance with Rule 34 of the Rules of the ICO, 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.
2. Where, in the opinion of the Executive Director, the proposed expenditure cannot be made from the existing budgeted expenditure, it shall not be incurred until the Finance and Administration Committee has reviewed the necessary budgeted expenditure and forwarded its recommendation to the Council regarding a decision.

**RULE 16****General provisions**

1. The Financial Rules shall be effective as from the date of their approval by the Council and may be amended only by the Council.
2. No Financial Rule or Rules may be suspended except by decision of the Council, taken in accordance with the provisions of Article 14 of the Agreement. The duration of such suspension shall be specified by the Council.

**RULE 17****Special provisions**

Regulations established by the Executive Director to carry out the provisions of these Rules shall be communicated to the Finance and Administration Committee for approval.

## **FINANCIAL REGULATIONS OF THE INTERNATIONAL COFFEE ORGANIZATION**

### REGULATION 1

#### **Scope and application**

1. These Regulations ('the Financial Regulations') implement the provisions of the Financial Rules and establish the financial procedures of the Organization.
2. These Regulations are applicable to all offices and to all financial transactions of the Organization.
3. These Regulations as well as further amendments made by the Executive Director become effective as from the date of issue.

### REGULATION 2

#### **Responsibility and authorities**

1. 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 Regulations.
2. The Executive Director may delegate, together with authorization for redelegation, such of his powers as he deems necessary to secure the effective administration of these Regulations.

### REGULATION 3

#### **Budgeted expenditure**

The budgeted expenditure approved by the Council constitutes authorization to the Executive Director to incur expenditure up to the amount of the approved budgeted expenditure.

## REGULATION 4

**Obligations**

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.
2. Obligations may be incurred only if they comply with the Financial Rules and Regulations and any other applicable rules or regulations and if they are authorized as being in accordance with the approved work plans.
3. Except as provided for in Regulations 4.4, 4.5, 4.6 and 4.9 all proposed obligations shall be submitted for the prior approval of the Head of Finance and Administration.
4. The Head of Finance and 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.
5. The Head of Finance and Administration, or the officers designated for this purpose, shall be responsible for examining the proposed obligations to ensure that:
  - (a) they are 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 Rules and Regulations and the Staff Regulations and Staff 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 22 of the Agreement; and
  - (h) the interests of the Organization have been fully protected.
6. The Head of Finance and 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.
7. The appropriate internal procedures applicable to each category of obligation shall be followed in every case.

8. Any official authorizing or incurring obligations shall be personally responsible for actions or decisions taken in disregard of these Regulations and for failure to follow the appropriate procedure.

9. The prior approval of the Head of Finance and 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 Finance and Administration through the Establishment Table in accordance with budgeted expenditure.

REGULATION 5  
**Control of expenditure**

1. Except where otherwise provided for in these Regulations payment shall be made only for services rendered or goods delivered.

2. Payments shall not be effected unless the request and supporting documents are authorized 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.

3. The Head of Finance and 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.

4. Should the Head of Finance and Administration consider 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.

5. Invoices and all supporting documents shall be retained in appropriate files as an integral part of the official accounts of the Organization for at least one year following the end of the financial year to which the invoice or document relates. Thereafter, invoices and documents may be retained in electronic format.

6. The Head of Finance and Administration 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.

#### REGULATION 6

##### **Imprest cash**

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 Finance and Administration.
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.
3. Imprest cash advances may be replenished at the request of the imprest holder on presentation to the Head of Finance and Administration of expenditure statements and supporting invoices. These statements and invoices shall be drawn up in the form prescribed by the Head of Finance and Administration.

#### REGULATION 7

##### **Advances**

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 Rules and Regulations and must be accounted for when the travel is completed.
2. Salary advances may be made to members of the staff under circumstances established by the Executive Director.

#### REGULATION 8

##### **Management of funds**

1. The Head of Finance and Administration is responsible for the management, receipt and disbursement of all funds of the Organization.
2. Funds of the Organization shall be deposited only in banks or institutions approved by the Council upon the recommendation of the Finance and Administration Committee.

3. The Head of Finance and Administration shall administer all bank 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 sales or purchase invoices.
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.
5. Interest on sums paid to the Organization by third parties will only be payable if so determined by the Council upon the recommendation of the Finance and Administration Committee.

#### REGULATION 9

##### **The accounts**

1. The Head of Finance and Administration is responsible for establishing and maintaining all official accounting records of the Organization.
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 provisions have been made 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 provisions have not previously been made.
3. Obligations shall be recorded in the accounts of the financial year in which they are incurred. Receipts shall be credited to the accounts of the financial year to which they relate.
4. Expenditure shall be charged to the accounts of the financial year to which they relate, subject to the provisions of Financial Rule 6.3.

5. The Head of Finance and Administration shall maintain accounting records which shall comprise:

- (a) Members' contributions assessed, received and unpaid;
- (b) management accounts showing budgeted expenditure, including any adjustments made subsequently, and actual expenditure;
- (c) treasury accounts showing all receipts and disbursements and records of investments;
- (d) such other accounts as are necessary to prepare periodic statements showing the financial situation of the Organization; and
- (e) the accounts relating to the Reserve Fund, trust funds and special accounts.

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, subject to the provisions of Regulation 5.5.

7. The Head of Finance and Administration shall furnish:

- (a) monthly statements showing the budgetary situation on all accounts;
- (b) such other periodic financial statements required by the Financial Rules;
- (c) financial statements required by the Executive Director, the Finance and Administration Committee or the Council; and
- (d) the annual statements of accounts of all funds.

8. The Annual Accounts shall be approved by the Executive Director and submitted to the auditors 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.

## REGULATION 10

### **Property**

1. The cost of all property acquired, other than real property, shall be charged as expenditure from the Budget for the year in which the obligation for its acquisition is incurred.

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 new property will afford an advantage to the Organization over the sale of surplus property and separate purchase of new property.

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 property as a reduction of the expenditure if the purchase and sale are effected in the same financial year.
4. Property records shall be maintained of all real property, furniture and equipment, however acquired and from whatever source, containing full details.
5. A statement as at the end of each financial year shall be handed to the auditors showing all real property, furniture and equipment belonging to the Organization.

#### REGULATION 11

#### **External audit**

The Head of Finance and Administration shall arrange for the auditors 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 auditors.



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