



25 July 1957  
Original: English

**Draft Provisional Financial Regulations recommended by  
the Preparatory Commission for Agency**

**ARTICLE I**

**Applicability**

*Regulation 1 01*

These Regulations shall govern the financial administration of the International Atomic Energy Agency (hereinafter called "the Agency").

**ARTICLE II**

**The Financial Year**

*Regulation 2 01*

The financial year shall be the period 1 January through 31 December.

**ARTICLE III**

**The Budget**

*Preparation of the Budget*

*Regulation 3 01*

The Director General shall each year initially prepare, for the consideration of the Board of Governors, estimates of the expenses and revenues of the Agency for the following financial year. Such initial budget estimates shall be submitted to the Board of Governors at least ten weeks before the opening of each regular session of the General Conference.

*Regulation 3.02*

The Board of Governors shall submit to each regular session of the General Conference the annual budget estimates for the Agency. If the General Conference does not approve the estimates, it shall return them together with its recommendations to the Board. The Board shall then submit further estimates to the General Conference for its approval.

*Regulation 3.03*

The estimates initially submitted by the Board shall be transmitted to all Member States at least six weeks before the opening of each regular session of the General Conference.

*Regulation 3.04*

The Board may submit to the General Conference such supplementary estimates as it may deem necessary.

*Form of the Budget*

*Regulation 3.05*

The estimates of expenses and revenues shall be presented in U.S. dollars and those of expenses shall be divided, subject to Regulation 3.05, into parts, sections, chapters and articles. They shall be accompanied by such explanatory statements and information as the Board

may deem necessary or the General Conference may request.

*Regulation 3.06*

Estimates of expenses shall be grouped into four major divisions:

(a) administrative expenses, which shall include

(i) The salaries and allowances of all staff of the Agency other than those directly employed in connexion with materials, services, equipment and facilities referred to in sub-paragraphs (b), (c) and (d) below;

(ii) The costs of meetings;

(iii) The cost of preparation of Agency projects;

(iv) The cost of distribution of information;

(v) The costs of implementing the safeguards referred to in Article XII of the Statute, in relation to Agency projects, or under Article III A.5 of the Statute, in relation to any bilateral or multilateral arrangement;

(vi) The costs of handling and storage of special fissionable material;\*

(vii) All costs of office accommodation facilities and equipment which are not solely and directly attributable to activities covered by sub-paragraphs (b) and (c) below;

(b) Expenses, including salaries and allowances of staff, other than those covered by sub-paragraphs (a), (c) and (d) of this Regulation, including those directly incurred in connexion with any materials, facilities, plant and equipment acquired or established by the Agency in carrying out its authorized functions;

(c) Expenses directly attributable to the provision of materials, services, equipment or facilities to one or more Member States under agreement between them and the Agency; and

(d) Expenses attributable to purposes for which the Board of Governors may use funds placed at its disposal under Article XIV F of the Statute, other than those referred to in sub-paragraphs (b) and (c) of this Regulation.

*Regulation 3.07*

Estimates of revenue shall similarly be grouped into four major divisions:

(a) Revenue arising from activities the expenses of

\* For technical accounting reasons it seems desirable to include the costs in full in the administrative expenses and to show as a revenue item such amounts thereof which are properly chargeable in the final analysis to the expenses referred to in Regulation 3.06 (c).

which are provided for under Regular 3.06 (a), including in particular that part of the cost of handling and storage of special fissionable material which is recoverable from Member States through the charges referred to in Regulation 4.02 and that part of the costs of implementing safeguards which is recoverable in accordance with Article XIV C of the Statute;

(b) Revenue arising from activities the expenses of which are provided for under Regulation 3.06 (b);

(c) Revenue arising from activities the expenses of which are provided for under Regulation 3.06 (c); and

(d) Revenue arising from activities the expenses of which are provided for under Regulation 3.06 (d).

#### ARTICLE IV

##### **Financing of Expenses**

###### *Regulation 4.01*

The expenses referred to in Regulation 3.06 (a), less any related revenue under Regulation 3.07 (a), shall be met from appropriations to be financed by contributions from all Member States assessed in accordance with a scale of contributions to be fixed by the General Conference.

###### *Regulation 4.02*

The expenses referred to in Regulation 3.06 (b) and (c) shall be met from charges, including reasonable uniform storage and handling charges, for materials, services, equipment and facilities furnished to Member States by the Agency, and from such amounts as may be transferred in accordance with Regulation 6.11, from the General Fund referred to in Regulation 4.04.

###### *Regulation 4.03*

The charges referred to in Regulation 4.02 shall be set forth in a scale of charges to be established periodically by the Board of Governors in accordance with Article XIV E of the Statute. This scale shall be designed to produce revenue for the Agency adequate to meet the expenses referred to in Regulation 3.06 (b) and (c) less such amounts as may be transferred, in accordance with Regulation 6.11, from the General Fund referred to in Regulation 4.04.

###### *Regulation 4.04*

Any excess of the revenue referred to in Regulation 4.02 over the expenses there referred to, and any voluntary contribution, shall be placed in a General Fund which may be used as provided in Regulation 6.11

#### ARTICLE V

##### **Authority for Incurring Expenditures**

###### *Appropriations*

###### *Regulation 5.01*

The appropriations approved by the General Conference shall constitute an authorization to the Director General to incur obligations and make payments, on behalf of the Agency, for the purposes for which the appropriations were voted and up to the amounts so voted.

###### *Regulation 5.02*

Appropriations shall be available for obligation during the financial year for which they were voted.

###### *Regulation 5.03*

Appropriations shall remain available for twelve months following the end of the financial year for which they were voted to the extent that they are required to

discharge obligations in respect of goods supplied and services rendered in such financial year and to liquidate any other outstanding legal obligation of such year. To the extent that the appropriations are not so required, the balance shall be surrendered at the end of the financial year.

###### *Regulation 5.04*

At the end of the twelve-month period provided in Regulation 5.03, the then remaining balance of any appropriations retained pursuant to Regulation 5.03 shall be surrendered. Any unliquidated prior year obligations shall at that time be cancelled or, if the obligation remains a valid charge, transferred as an obligation against current appropriations.

###### *Regulation 5.05*

No transfer between appropriation sections shall be made without authorization by the Board of Governors.

###### *Other expenses not covered by appropriations*

###### *Regulation 5.06*

Other expenses, provided for in Regulation 3.06 (b), (c) and (d), may be incurred by the Director General on behalf of the Agency to the extent authorized by the Board of Governors, which shall at all times have regard to the funds available for the purposes concerned and in case of expenses pursuant to Regulation 3.06 (b) and (d), to the limits approved by the General Conference.

#### ARTICLE VI

##### **Money Provision**

###### *Money provision for appropriations*

###### *Regulation 6.01*

The appropriations, subject to the adjustments effected in accordance with the provisions of Regulation 6.02, shall be financed by contributions from all Member States, in accordance with a scale to be fixed by the General Conference. Pending the receipt of such contributions, the appropriations may be financed from the Working Capital Fund.

###### *Regulation 6.02*

In the assessment of the contributions of Member States, adjustments shall be made to the amount of the appropriations approved by the General Conference for the following financial year in respect of:

(a) Supplementary appropriations for which contributions have not previously been assessed on Member States;

(b) Revenue under Regulation 3.07 (a) which has not already been taken into account in the assessments of contributions and any necessary adjustments in respect of revenue which has already been taken into account in the assessments of contributions;

(c) Contributions resulting from the assessment of new Member States under Regulation 6.01, and

(d) Any balance of the appropriations surrendered under Regulations 5.03 and 5.04.

###### *Regulation 6.03*

After the General Conference has approved the budget and determined the amount of the Working Capital Fund, the Director General shall:

(a) Transmit the relevant documents to Member States;

(b) Inform Member States of their commitments in respect of annual contributions and of advances to the Working Capital Fund; and

(c) Request them to remit their contributions and advances.

#### *Regulation 6.04*

Annual contributions and advances to the Working Capital Fund shall be considered as due and payable in full within thirty days of the receipt of the communication of the Director General referred to in Regulation 6.03, or as of the first day of the financial year to which they relate, whichever is the later. As of 1 January of the following financial year, the unpaid balance of such contributions or advances shall be considered to be one year in arrears.

#### *Regulation 6.05*

Annual contributions and advances to the Working Capital Fund of the Agency shall be assessed and paid in U.S. dollars, provided that payment of the whole or part of these contributions and advances may be made in such other currency or currencies and up to such amounts as the Director General, in consultation with the Board of Governors, shall have determined.

#### *Regulation 6.06*

Payments made by a Member State shall be applied first to discharge that Member's assessment with respect to the Working Capital Fund and then to discharge that Member's assessment with respect to the annual contributions payable by it in the order in which the latter assessments were made.

#### *Regulation 6.07*

The Director General shall submit to each regular session of the General Conference through the Board of Governors a report on the collection of contributions and of advances to the Working Capital Fund.

#### *Regulation 6.08*

A new Member State shall be required to make a contribution for the year in which it becomes a Member and to pay an advance to the Working Capital Fund both as determined by the General Conference.

#### *Money provision for other purposes*

#### *Regulation 6.09*

Expenses which are not to be met from appropriations shall be financed through charges made in accordance with Regulations 4.02 and 4.03 and transfers from the General Fund under those Regulations.

#### *Regulation 6.10*

The Agency's borrowing powers shall be exercised by the Board of Governors in accordance with rules and limitations approved by the General Conference, provided, however, that the exercise of such authority shall impose no individual or joint liability upon Member States.

#### *Regulation 6.11*

Subject to rules approved by the General Conference, the Board of Governors may accept voluntary contributions made to the Agency which shall be paid into a General Fund in accordance with Regulation 4.04. With the general approval of the General Conference the Board may utilize all or any part of the General Fund to finance expenses under Regulation 3.06 (b), (c) and (d).

### **ARTICLE VII**

#### **Funds**

#### *Administrative and Working Capital Funds*

#### *Regulation 7.01*

There shall be established an Administrative Fund for the purpose of meeting the expenses of the Agency

from authorized appropriations. The contributions paid by Member States under Regulation 6.01, revenue under Regulation 3.07 (a) and any advances made from the Working Capital Fund to finance administrative expenses shall be credited to the Administrative Fund.

#### *Regulation 7.02*

There shall be established a Working Capital Fund in an amount and for purposes to be determined from time to time by the Board of Governors, with the approval of the General Conference. The source of moneys of the Working Capital Fund shall be advances from Member States, and these advances shall be in accordance with the scale of contributions approved for the apportionment of the administrative expenses of the Agency. Each advance shall be carried to the credit of the Member State which has made such advance.

#### *Regulation 7.03*

Advances made from the Working Capital Fund to finance budgetary appropriations during a financial year shall be reimbursed to the Fund as soon as and to the extent that moneys in the Administrative Fund are available for that purpose.

#### *Regulation 7.04*

Except when advances made from the Working Capital Fund for unforeseen and extraordinary expenses or other authorized purposes are recoverable from some other source, the recovery of such advances shall be provided for by the submission of supplementary budget estimates.

#### *Regulation 7.05*

Income derived from investment of the Working Capital Fund shall be credited to revenue under Regulation 3.07 (a).

#### *Operating Fund*

#### *Regulation 7.06*

There shall also be established an Operating Fund having two parts for the purposes of meeting the expenses of the Agency under Regulation 3.06 (b) and (c) respectively. The revenues arising under Regulation 3.07 (b) and (c) shall be credited respectively to the two parts of this Fund.

#### *Regulation 7.07*

Commercial procedures shall be followed in the administration and accounting of the Operating Fund, for example:

(a) Current expenses and capital expenses shall be distinguished, and provision shall be made for interest, amortization of any sum borrowed for the construction of facilities, and depreciation of capital assets; and

(b) Expenses shall be charged at the cost of goods and services received in the financial year and the amount brought to account as revenue (other than voluntary contributions) shall cover the amounts due to the Agency for services rendered during the financial year.

#### *Other Funds*

#### *Regulation 7.08*

There shall also be established a General Fund which may be used as provided in Regulation 6.11 and into which shall be placed any voluntary contributions made to the Agency, and to which the Board of Governors shall transfer from time to time any excess of revenue from the Operating Fund. The revenues arising under Regulation 3.07 (d) shall also be placed in this Fund.

*Regulation 7.09*

Trust Funds, Reserve and Special Accounts may be established by the Board of Governors and shall be reported to the General Conference.

*Regulation 7.10*

The purpose and limits of each Trust Fund Reserve and Special Account shall be clearly defined by the appropriate authority. Unless otherwise provided by the General Conference, such Funds and Accounts shall be administered in accordance with these Regulations.

*Regulation 7.11*

The monetary value of voluntary contributions in kind shall be determined by the Board of Governors.

**ARTICLE VIII**

**Custody of Funds**

*Regulation 8.01*

The Director General shall designate the bank or banks in which the funds of the Agency shall be kept.

**ARTICLE IX**

**Investment of Funds**

*Regulation 9.01*

The Director General may make short-term investment of moneys not needed for immediate requirements and shall inform the Board of Governors at its next meeting of any such investment which he has made.

*Regulation 9.02*

The Director General may, with the approval of the Board of Governors, make long-term investment of moneys standing to the credit of Trust Funds, Reserve and Special Accounts, except as may be otherwise provided by the appropriate authority, in respect of each such Fund or Account and having regard to the particular requirements as to liquidity of each such Fund.

*Regulation 9.03*

Income derived from investment of Funds shall be credited in accordance with the rules relating to each Fund or Account.

**ARTICLE X**

**Internal Control**

*Regulation 10.01*

The Director General shall:

- (a) Establish with the approval of the Board of Governors detailed financial rules and procedures for the purpose of ensuring 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 payments have not previously been made;
- (c) Designate the officers who may receive moneys, incur obligations and make payments on behalf of the Agency; and
- (d) Maintain an internal financial control which shall provide for an effective current examination and /or review of financial transactions for the purpose of ensuring:
  - (i) The regularity of the receipt, custody and disposal of all funds and other financial resources of the Agency;

- (ii) The conformity of obligations and expenditures with the appropriations or other financial provision voted by the General Conference, or with the purposes and rules relating to the Fund concerned; and
- (iii) The economic use of the resources of the Agency.

*Regulation 10.02*

The Director General shall, with the approval of the Board of Governors, establish rules and procedures for the storage and protection of all materials, supplies, instruments and equipment in the possession of the Agency, and in particular, regard should be had to the provisions of Article IX of the Statute.

*Regulation 10.03*

No obligations shall be incurred except pursuant to appropriate authorizations made in writing under the authority of the Director General, acting where necessary with the approval of the Board of Governors.

*Regulation 10.04*

The Director General may make *ex gratia* payments up to such limits as may be set by the Board of Governors. Any payments in excess of this limit shall require the approval of the Board of Governors. A statement of payments made shall be attached to the annual accounts.

*Regulation 10.05*

The Director General may, after full investigation, and with the approval of the Board of Governors where appropriate, authorize the writing off of losses of cash, stores and other assets, provided that a statement of all such amounts written off shall be submitted to the Auditors with the annual accounts.

*Regulation 10.06*

Tenders for equipment, supplies and other requirements shall be invited by appropriate advertisement in accordance with rules to be established by the Director General, except where the Director General deems that, in the interests of the Agency, a departure from such rules is desirable.

**ARTICLE XI**

**The Accounts**

*Regulation 11.01*

The Director General shall maintain such accounting records as are necessary and shall prepare annual accounts showing for the financial year to which they relate:

- (a) The income and expenses of all Funds;
  - (b) A statement in respect of appropriations for the Administrative Fund, including:
    - (i) The original budget appropriations;
    - (ii) The appropriations as modified by any transfers;
    - (iii) Credits, if any, other than the appropriations approved by the General Conference;
    - (iv) The obligations incurred against those appropriations and/or other credits; and
    - (v) The unencumbered balances of appropriations and for other credits; and
  - (c) the assets and liabilities of each Fund.
- He shall also give such other information as may be appropriate to indicate the current financial position of the Agency.

#### *Regulation 11.02*

The annual accounts of the Agency shall be presented in U.S. dollars. Accounting records may, however, be kept in such currency or currencies as the Director General may deem necessary. Accounting rates of exchange may be fixed by the Director General having regard to the rates used by the United Nations for such purposes.

#### *Regulation 11.03*

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

#### *Regulation 11.04*

The annual accounts shall be submitted by the Director General to the External Auditors and to the Board of Governors not later than 31 March following the end of the financial year.

### ARTICLE XII

#### **External Audit**

##### *Regulation 12.01*

The General Conference shall appoint the External Auditors of the Agency from among the Auditors-General of Member States. There shall be three Auditors who shall be appointed for one, two or three years respectively in the first instance. Subsequently, the General Conference shall appoint each Auditor for a period of three years.

##### *Regulation 12.02*

Subject to any special direction of the General Conference or the Board of Governors, each audit which the External Auditors are required to make shall be conducted in accordance with the principles set out in the Annex to these Regulations.

##### *Regulation 12.03*

Whenever it is necessary to make a local or special examination, the External Auditors may, subject to the budgetary provision for the audit concerned, arrange for the services of any national Auditor-General who is eligible to be appointed as an External Auditor or of commercial public auditors of known repute.

##### *Regulation 12.04*

The report of the External Auditors shall be transmitted to the Board of Governors for their observations and the Board of Governors shall transmit this report, with its observations, to all Member States not less than six weeks before the opening of the annual General Conference. A representative of the External Auditors shall be present when their report is being considered by the Board of Governors or by the General Conference.

### ARTICLE XIII

#### **Resolutions Involving Expenditures**

##### *Regulation 13.01*

No decision involving expenditure shall be taken by the General Conference and no recommendation involving expenditure shall be made by any committee or subsidiary body thereof in the absence of a report from the Director General on the administrative and financial implications of the decision or recommendation and a report from the appropriate committee of the General Conference. No decision involving expenditure shall be taken by the Board of Governors and no recommendation involving expenditure shall be made by any committee or other subsidiary body thereof in the absence of a report from the Director General on the

administrative and financial implications of the decision or recommendation.

#### *Regulation 13.02*

No project not clearly provided for in the appropriations for the administrative expenses shall be commenced without the approval of the Board of Governors.

### ARTICLE XIV

#### **Delegation of Authority**

##### *Regulation 14.01*

The Board of Governors may, subject to the provisions of the Statute, delegate to any committee or other subsidiary body which it establishes, any of its functions set forth in these Regulations. The Director General may delegate to a member of his staff his functions under these Regulations.

### ARTICLE XV

#### **General Provisions**

##### *Regulation 15.01*

These Regulations shall be effective as of the date of their approval by the Board of Governors, and may be amended subject to the provisions of the Statute by the Board of Governors.

### **PRINCIPLES TO GOVERN THE AUDIT PROCEDURES OF THE INTERNATIONAL ATOMIC ENERGY AGENCY**

1. The External Auditors shall perform an audit of the accounts of the Agency, including all Trust and Special Accounts, as they may deem necessary in order to certify:

(a) That the financial statements are in accord with the books and records of the Agency;

(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; and

(c) That the securities and moneys on deposit and on hand have been verified by certificate received direct from the Agency's depositories or by actual count.

2. Subject to the provisions of the Financial Regulations, the External Auditors shall be the sole judge as to the acceptance in whole or in part of certifications by the Secretariat and may proceed to such detailed examination and verification they choose of all financial records, including those relating to supplies and equipment and materials in the possession of the Agency.

3. The External Auditors may affirm by test the reliability of the internal audit, and may make such reports with respect thereto, as they may deem necessary, to the Board of Governors or to the Director General for transmission, where appropriate, to the General Conference.

4. The External Auditors and staff working under their direction shall subscribe to such oath as may be approved by the Board of Governors. Thereupon they shall have free access, at all convenient times, to all books of account and records which are, in their opinion, necessary for the performance of the audit. Information classified as confidential in the records of the Secretariat, and which is required by the External Auditors for the purposes of the audit, shall be made available on application to the Director General. In the event that the External Auditors are of the opin-

ion that a duty rests on them to draw to the attention of the Board of Governors or of the General Conference any matter respecting which all or part of the documentation is classified as confidential, direct quotation should be avoided.

5. The External Auditors, in addition to certifying the accounts, may make such observations as they may deem necessary with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the financial consequences of administrative practices.

6. In no case, however, shall the External Auditors include criticism in their audit report without first affording the Secretariat an opportunity of explanation of the matter under observation. Audit objections to any items arising during the examination of the accounts shall be immediately communicated to the Director General or the chief financial officer of the Agency.

7. The External Auditors shall prepare a report on the accounts certified, which should include:

(a) The extent and character of their examination and of any important changes in the extent and character of such examination;

(b) Matters affecting the completeness or accuracy of the accounts, such as:

(i) Information necessary to the correct interpretation of the audit;

(ii) Any amounts which ought to have been received but which have not been brought to account; and

(iii) Expenditures not properly substantiated;

(c) Other matters which should be brought to the notice of the Board of Governors and, where appropriate, of the General Conference, such as:

(i) Cases of fraud or presumptive fraud;

(ii) Wasteful or improper expenditure of the Agency's money or other assets (notwithstanding that the accounting for the transactions may be correct);

(iii) Expenditure likely to commit the Agency to further outlay on a large scale;

(iv) Any defect in the general system or detailed regulations governing the control of receipts and expenditure, or of supplies and equipment, or of materials in the possession of the Agency;

(v) Expenditure not in accordance with the purpose of the budget section concerned, after making allowance for duly authorized transfers within the budget;

(vi) Expenditure in excess of the approved budget totals for each section of the budget, as amended by duly authorized transfers within the budget; and

(vii) Expenditure not in conformity with the authority which governs it;

(d) The accuracy or otherwise, as determined by stock-taking and examination of the quantitative records relating to supplies, equipment and materials belonging to or in the possession of the Agency; and

(e) Transactions accounted for in a previous year, concerning which further information has been obtained, or transactions in a later year concerning which it seems desirable that the Board of Governors or the General Conference should have early knowledge.

8. The External Auditors, or such of their officers as they may designate, shall certify the financial statements in the following terms:

"The financial statements of the International Atomic Energy Agency for the financial year ended 31 December have been examined in accordance with our directions. We have obtained all the information and explanations that we have required, and we certify, as a result of the audit, that, in our opinion, the financial statements are correct,"

adding, should it be necessary,

"subject to the observations in our report."

9. The External Auditors 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 they entertain doubt as to legality or propriety.