



## INTERNATIONAL IDEA FINANCIAL REGULATIONS

Adopted by the Council of International IDEA on 1 December 2022

Replaces the Financial Regulations approved on 2 December 2019 and any other Financial Regulations issued before

## ARTICLE 1, DEFINITIONS

1.1 These Regulations are made under the provision of Article V of the Statutes of the International Institute for Democracy and Electoral Assistance, and may be cited as the Financial Regulations

1.2 In these Regulations, unless a contrary definition appears:

**Institute** means the International Institute for Democracy and Electoral Assistance.

**Statutes** means the Statutes of the International Institute for Democracy and Electoral Assistance in force from time to time.

**Council** means the Council of Member States of the Institute, as established by the Statutes or any other body delegated by the Council through the Statutes or otherwise and acting for and on behalf of the Council to oversee finance matters.

**Steering Committee** means the Committee established in pursuance of the provisions of Article VII 8 of the Statutes.

**Finance and Audit Committee** means the Committee established in pursuance of the provisions of to Section 5 of the Rules of Procedure.

**Secretary-General** means the Secretary-General of the International Institute for Democracy and Electoral Assistance.

**Regulations** means the Financial Regulations of the International Institute for Democracy and Electoral Assistance as approved by Council from time to time.

**Rules of Procedure** means the Rules of Procedure as amended by Council from time to time in pursuance of the provisions of Article VII 3 of the Statutes.

**Appropriations** means amounts approved by the Council for specific purposes for a financial period against which obligations may be incurred for those purposes up to the amount so approved.

**Core (Unrestricted) Funds** means the financial resources available for the implementation of the activities of the Institute through such means as voluntary contributions and donations by governments and others; programme sponsorship or project funding; publications and other revenue; interest income from trusts, endowments and investments and reserves available subject to the provisions of the Financial Regulations.

**Earmarked Core Funds** means the financial resources available for the implementation of the activities of the Institute through such means as voluntary contributions and donations by governments and others; programme sponsorship or project funding where the purpose is set aside for a preferred project or purpose, but where the any unspent amounts after completion of the project period flow to reserves.

**Restricted Funds (Grants)** means funds held on behalf of a donor for a specific purpose as agreed by the donor.

**Reserve Funds** means funds of the Institute held in reserve for particular purposes and under special conditions approved by the Council.

**Disbursements** means payments in cash or in kind.

**Obligations** means commitments creating a liability against the resources of the Institute.

**Unforeseen Expenses** means expenses arising from, or incidental to, the carrying out of a programme in accordance with the approved policies of the Institute, for which expenses were not foreseen when the estimates were made.

**Extraordinary Expenses** means expenses for items and objects outside the scope of the budget estimates.

**Internal Controls** means the systems of control, financial and otherwise, established by the Secretary-General in order to carry on the business of the Institute in an orderly manner, safeguard its assets and secure, as far as possible, the completeness, accuracy and reliability of its records.

## **ARTICLE 2, THE FINANCIAL PERIOD**

2.1 The financial year of the Institute shall be the calendar year.

## **ARTICLE 3, THE PROGRAMME AND BUDGET**

3.1 The Programme and Budget shall be prepared in accordance with these regulations, in pursuance of the provisions of Article V of the Statutes.

3.2 Budget estimates will be prepared at least annually and presented to Council for approval in advance of the beginning of any financial year.

3.3 The estimates shall cover income and expenditure for each calendar year to which they relate and shall be presented in Euro.

3.4 The estimates of income shall, to the extent possible, be broken down by source.

3.5 The budget estimates of expenditures shall be divided in accordance with the planned work programme of the Institute as follows:

- a) Global Programme
- b) Africa and West Asia Programme
- c) Asia and the Pacific Programme
- d) Latin America and the Caribbean Programme
- e) Regional Europe Programme
- f) Institutional Programme
- g) Programme Support

3.6 The approval of the Programme and Budget by the Council shall constitute the authorization to the Secretary-General to incur obligations and make payments for the purposes for which the appropriations were made and up to the amounts so appropriated.

3.7 Appropriations shall be available for obligations incurred during the calendar year to which they relate.

3.8 Such portion of Appropriations as may be required to meet the outstanding legal obligations as at the last day of the calendar year shall remain open until the obligation is settled or reversed in accordance with International Public Sector Accounting Standards.

3.9 The Secretary General may approve an increase in budgeted expenditure for projects funded by donor funds to the extent that these projects are in line with the strategy of International IDEA and where the increase in expenditure will be funded by a restricted grant or an earmarked core contribution.

3.10 The Secretary General may approve a decrease or any other change in the budgeted expenditure for projects funded by restricted funds as previously approved by them under the delegation set out in 3.9 above to the extent that this change has been agreed by the donor for the project so approved. This includes, but is not limited to, changes between budget line items or categories and movements in budgeted amounts between years, including any extensions to the project period as agreed by the donor.

3.11 The Secretary-General may make a budget transfer within a Programme of the budget or

between Programmes to a maximum of Euro 250 000 where this does not result in expenditure in excess of the total expenditure approved by Council.

- 3.12 The Secretary-General may after consultation with the Finance and Audit Committee, for projects funded entirely or partly from core funds, approve a transfer within or between Programmes in excess of Euro 250 000 where this does not result in expenditure in excess of the total expenditure approved by Council.
- 3.13 The Secretary-General may after consultation with the Finance and Audit Committee, approve an increase in budgeted expenditure for unforeseen or extraordinary expenditure where the total expenditure will exceed the budgeted expenditure approved by Council to a maximum of Euro 250 000, provided that the reserves will be maintained at the level required in terms of the Financial Regulations.
- 3.14 In cases where the total budgeted expenditure will increase by an amount in excess of EURO 250 000 or where the reserves will fall below the level required in terms of these Financial Regulations, Council approval is required but may be sought by silent procedure.
- 3.15 The Secretary-General may, after consultation with the Finance and Audit Committee, approve a decrease in budgeted expenditure for unforeseen or extraordinary reductions in income.
- 3.16 Changes to the budgets approved within the delegations will be communicated to Council as soon as is practical in the cases of changes in excess of Euro 250 000 to the core budget, and in line with the annual reporting schedule or at the next Council meeting for changes in the restricted funded or earmarked core budget or changes in the core budget of less than Euro 250 000.
- 3.17 Whenever necessary, supplementary budget estimates may be submitted to the Council for approval by the Secretary-General. Such estimates shall be prepared in a format consistent with the regular estimates. Approval may be sought by silent procedure.

## **ARTICLE 4, FUNDS AND RESERVES**

- 4.1 The Appropriations shall be financed from the Core (including Earmarked Core) and Restricted Funds of the Institute, pursuant to Article V of the Statutes.
- 4.2 Voluntary contributions may be accepted by the Secretary-General provided that the purposes for which the contributions are made are consistent with the policies, aims and activities of the Institute and provided that the acceptance of such contributions which directly or indirectly involve additional financial liability for the Institute shall require the consent of the appropriate authority in terms of Article 3.
- 4.3 Funds accepted for purposes specified by the donor shall be treated as Restricted Funds.
- 4.4 Funds accepted for which no purpose is specified shall be treated as Core contributions. Funds accepted for which a preference is specified shall be considered to be Earmarked Core contributions and will be treated as Core contributions
- 4.5 The Regulations of the reserve funds of the Institute namely the General Reserve Fund and the Currency Reserve, are set out below.

### **General Reserve Fund**

- 4.6 The purpose of the General Reserve Fund is twofold, namely to provide;
  - a) long-term protection for the Institute by safeguarding it from unforeseen developments that could seriously affect its stability and effectiveness.
  - b) liquidity to enable the Institute to continue its operations in the course of any year in circumstances when contributions of Member States are received at a slower rate than approved budgeted expenditure is incurred.

- 4.7 The fund may be used to cover liquidity deficits in respect of funds committed by a Member State, and to maintain the level of the Currency Reserve Fund.
- 4.8 In addition to any annual surplus, Member States and other interested stakeholders and organisations shall be invited to make special contributions to the General Reserve Fund.
- 4.9 It is the Council's prerogative at all times to determine the level of the General Reserve Fund, and unless otherwise explicitly decided by the Council, the Institute shall, at the end of each financial year have a balance on the General Reserve Fund equal to at least 50% of the approved budgeted core expenditure for the following year.
- 4.10 Where the balance on the General Reserve fund is in excess of the financial level required as set out under 4.9 above, appropriations may be made in terms of Article 3 when this is necessary in order to ensure that the Institute's planned and approved activities can be executed.
- 4.11 Appropriations from the General Reserve Fund which reduces the fund below the required level as set out under 4.9 above, shall be done in extreme circumstances under consideration of emergency conditions on the basis of an explicit concurrence of the Steering Committee, and shall be approved by Council. In the event an appropriation is made, Member States and other interested stakeholders and organisations shall be invited to replenish the Funds to its previous level.

#### **Currency Reserve Fund**

- 4.12 The purpose of the Currency Reserve Fund is to provide the Institute with the facility to overcome distortions in its operational expenditure caused by fluctuations in the exchange rate between the Euro and other currencies.
- 4.13 The fund shall be built up through charging net annual exchange gains for that year.
- 4.14 The funds shall be maintained at a balance between Euro 500 000 and Euro 1 000 000.
- 4.15 Appropriations from the Fund will be made at each year end for net currency losses made in that year. Appropriations will be recorded in the annual financial statements for that year.
- 4.16 If the balance of the fund exceeds Euro 1 000 000 at the end of any financial year any excess will be released to the General Reserve Fund.
- 4.17 At each year end, to the extent that the fund falls below Euro 500 000 a charge will be made on the General Reserve Fund to replenish the Currency Reserve Fund.

#### **Special Funds**

- 4.18 A special fund may be created, at the request of the Council, to capture special contributions by Member Governments and interested organisations to the establishment and building up of this long-term stability initiative.

### **ARTICLE 5, CUSTODY OF FUNDS**

- 5.1 The Secretary-General shall designate the bank or banks in which funds of the Institute shall be kept.
- 5.2 The Secretary-General shall designate the signatories for any bank accounts, and any limits within which these signatories may operate.
- 5.3 The Secretary-General may utilize any funds or financial assets at the disposal of the Institute in pursuance of the interests and strategic objectives of the Institute.
- 5.4 In relation to a third party, it shall be presumed that the Secretary-General has authority to incur obligations and make payments, if the approved Programme and Budget for the year is presented.

## **ARTICLE 6, INVESTMENT OF FUNDS**

6.1 The Secretary-General may, in accordance with the Treasury Management Policy, invest funds from any of the Institute administered Funds not needed for any immediate requirement, and income generated from such Investments shall be accounted for in terms of International Public Sector Accounting Standards.

## **ARTICLE 7, INTERNAL CONTROL**

7.1 The Secretary-General shall:

- a) establish detailed financial policies and procedures in order to ensure effective financial administration and the exercise of economy and effective custody of the assets of the Institute.
- b) establish an internal audit function that will operate in accordance with the Internal Audit Charter.
- c) cause a payment to be made based on supporting vouchers and other documents which ensure that the services or goods have been received and that payment has not previously been made.
- d) designate the members of staff who may receive money, incur obligations, invest funds and make payments on behalf of the Institute.
- e) maintain a system of internal financial control which shall provide for an effective 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 resources of the Institute;
  - ii.) the conformity of obligations and expenditures with the approved budget or other financial provisions authorized by the Council or with the purpose and rules relating to Special Funds; and
  - iii.) the economic use of the resources of the Institute.

7.2 No obligations shall be incurred until appropriate authorization has been given in writing under the authority of the Secretary-General.

7.3 The Secretary-General may authorize the disposal of or, after investigation, the writing off of losses of cash, stores and other assets, provided that a statement of all such amounts written off shall be accounted for in terms of International Public Sector Accounting Standards.

7.4 Tenders for equipment, supplies and other requirements shall be invited in accordance with the relevant policies and procedures.

## **ARTICLE 8, THE ACCOUNTS AND FINANCIAL STATEMENTS**

8.1 The Secretary-General shall maintain such accounts as are necessary and shall prepare Annual Financial Statements for each calendar year in terms of International Public Sector Accounting Standards.

8.2 The Secretary-General shall also provide such other information as may be appropriate, either within the financial statements, or in a separate report, to indicate the current financial position of the Institute, including an analysis of actual expenditure for the year compared to the budget expenditure for the year approved in terms of Article 3 of the Financial Regulations.

8.3 The Financial Statements of the Institute shall be presented in Euro. The accounts may be

kept in such currency or currencies as the Secretary-General may deem necessary.

- 8.4 The Financial Statements shall be submitted by the Secretary-General to the External Auditors not later than 31st March following the end of the calendar year to which they relate.

## **ARTICLE 9, EXTERNAL AUDIT**

- 9.1 Annual financial statements shall be subject to an External Audit.
- 9.2 The External Audit shall be conducted in conformity with International Standards on Auditing.
- 9.3 The Secretary-General shall provide the External Auditor with the facilities that they may require in the performance of any audit.
- 9.4 The External Auditor shall be completely independent and have sole responsibility for the External Audit.
- 9.5 The External Auditor shall perform such audits of the accounts and financial statements of the Institute, including all Funds and special accounts, as they deem necessary in order to satisfy themselves that:
- a) the financial statements are in accord with the books and records of the Institute;
  - b) the financial transactions reflected in the statements are, to material extent, accurate and complete, and have been recorded in accordance with the financial regulations and rules, the budgetary provisions and other applicable directives;
  - c) the securities and moneys on deposit and on hand have been verified by certificates received direct from the Institute's depositories or by actual count.
  - d) the internal controls are adequate in the light of the extent of reliance placed thereon;
  - e) procedures satisfactory to the External Auditor have been applied to the recording of all assets, liabilities, surpluses and deficits.
- 9.6 The External Auditor shall be the sole judge as to the acceptance in whole or in part of certification and representation by the Secretary-General and may proceed to such detailed examination and verification as they choose of all financial records.
- 9.7 The External Auditor 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 confidential and which the Secretary General (or their designated senior official) agrees is required by the External Auditor for the purpose of the audit shall be made available on application. The External Auditor and their staff shall respect the 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.
- 9.8 The External Auditor may draw the attention of the Secretary-General and the Finance and Audit Committee to any denial of information which in their opinion was required for the purpose of the audit.
- 9.9 The External Auditor may bring to the attention of the Secretary-General and the Finance and Audit Committee other matters including:
- a) cases of fraud or presumptive fraud;
  - b) wasteful or improper expenditure of the Institute's money or other assets (notwithstanding that the accounting for the transactions may be correct);
  - c) expenditure likely to commit the Institute to further outlay that is materially in excess

of the budgeted amounts;

- d) any deficit in the general system of internal control;
- e) expenditures not in accordance with the approved budget; and
- f) expenditure not in conformity with the authority that governs it.

- 9.10 The External Auditor is not required to mention any matter referred to in the foregoing which, in their opinion, is insignificant in all respects.
- 9.11 The External Auditor may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls, and the administration and management of the Institute. These observations will be discussed with the Secretary-General who will develop an action plan to address the observations. The observations and management comments will be considered by the Finance and Audit Committee who may report to Council on any matters that they consider appropriate.
- 9.12 The External Auditor shall issue an opinion on the Financial Statements in conformity with International Standards on Auditing.
- 9.13 In no case shall the External Auditor issue a qualified or adverse opinion or a disclaimer without first affording the Secretary-General an adequate opportunity of correcting the financial statements.
- 9.14 The opinion of the External Auditors shall be transmitted, together with the Audited Financial Statements to the Council not later than 31st May following the end of the calendar year to which they relate, in case of no unforeseen circumstances present
- 9.15 The Council may request the External Auditor to perform certain specific examinations and issue separate reports on the result.

## **ARTICLE 10, DELEGATION OF AUTHORITY**

- 10.1 The Secretary-General shall delegate such authority to the Executive Director, and may delegate to other staff members, together with authorization for re-delegation if deemed appropriate as necessary to ensure effective administration of these Regulations. The Executive Director may re-delegate likewise.

## **ARTICLE 11, GENERAL PROVISIONS**

- 11.1 These Regulations shall be effective as from the date of their approval by the Council and may be supplemented or amended by the Council after consultation with the Secretary-General.
- 11.2 The Secretary-General shall provide and enforce such policies and procedures, consistent with these Regulations, as considered necessary to implement these Finance Regulations and ensure sound management of the financial resources of the Institute.