

UNITED NATIONS DEVELOPMENT PROGRAMME



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BUDGETARY, ADMINISTRATIVE AND FINANCIAL MATTERS

UNDP FINANCIAL REGULATIONS AND RULES

Addendum

Attached is Annex I containing the Administrator's proposals for the revised UNDP Financial Regulations.

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Code used for this legislative version:

All proposed new language is underscored.

Where proposed new language has been derived from or is being suggested to harmonize with UN Financial Regulations, it is underscored and has also been noted in the comments column.

Words within square brackets [] are contained in the present UNDP text, but are proposed for deletion in the new UNDP Financial Regulations.

Where no present UNDP Regulation exists, the "Present" column is blank.

Note: The proposed UNDP Regulations have been renumbered to conform or harmonize with the order followed in the United Nations Regulations. Article XIII of the present UNDP Regulations, now proposed as UNDP Regulation XVI, as well as a number of regulations in other Articles, are required because of UNDP's operational character. No comparable UN Financial Regulations exist.

FINANCIAL REGULATIONS OF THE UNITED NATIONS DEVELOPMENT PROGRAMME

Proposed

Present

Comments

ARTICLE I. APPLICABILITY

Regulation 1.1: These Regulations shall govern the financial management of the United Nations Development Programme (UNDP).

Regulation 1.1: These Regulations shall govern the financial management of the United Nations Development Programme (UNDP).

Regulations 1.1 through 1.7 are required for the effective conduct of UNDP operations and constitute the basic framework for administering the financial activities of UNDP.

Regulation 1.2: Amendments to these Regulations may be made by the Governing Council.

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Regulation 1.3: Exceptions to these Regulations may only be made by specific decision of the Governing Council.

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Regulation 1.4: After consultation with the Governing Council on the policies involved, the Administrator shall

establish and, when necessary, amend financial rules to govern, within the framework of these Regulations, the financial administration of UNDP activities. The Administrator shall report such financial Rules, and amendments thereto, to the Governing Council.

establish and, when necessary, amend financial rules to govern, within the framework of these Regulations, the financial administration of UNDP activities. The Administrator shall report such financial Rules, and amendments thereto, to the Governing Council.

Regulation 1.5: Exceptions to these Rules may only be made by specific decision of the Administrator.

Regulation 1.5: Exceptions to these Rules may only be made by specific decision of the Administrator.

Regulation 1.6: The administration by Participating and Executing Agencies of UNDP activities covered by allocations issued to them by the Administrator shall be carried out under their respective financial regulations, rules, practices and procedures to the extent that they are appropriate, except that all UNDP financed activities are subject to the provisions of Regulation 10.6. However, to the extent necessary to ensure the uniformity and useability of data required for UNDP management purposes, the Administrator is authorized to specify the basis, content and periodicity of reports to him on such activities.

Regulation 1.6: The administration by Participating and Executing Agencies of UNDP activities covered by allocations issued to them by the Administrator shall be carried out under their respective financial regulations, rules, practices and procedures to the extent that they are appropriate.

In order to effectively utilize data, ensure timely delivery within available and anticipated resources, the Administrator must be empowered to specify the basis, content and periodicity of reports to him on such activities. See also proposed change in Regulation 10.6 with respect to procurement.

Regulation 1.7: In regard to any matter not specifically covered by these Regulations and Rules, the appropriate provisions of the United Nations Financial Regulations and Rules shall mutatis mutandis apply.

Regulation 1.7: In regard to any matter not specifically covered by these Regulations and Rules, the appropriate provisions of the United Nations Financial Regulations and Rules shall mutatis mutandis apply.

ARTICLE II. THE FINANCIAL /YEAR/ PERIOD

Regulation 2.1 (a): The financial /year shall be the period 1 January to 31 December inclusive. 7 period for the Programme Support and Administrative Services Budgets shall consist of two consecutive calendar years, the first of which shall be an even year;

Regulation 2.1: The financial year shall be the period 1 January to 31 December inclusive.

This Regulation is required for the effective conduct of UNDP operations and constitutes an exception to the provisions contained in Article II of the United Nations Regulations.

(b): The financial period for Programme and Project Expenditures shall consist of a single calendar year.

ARTICLE XI III. FINANCING THE UNDP PROGRAMME

Utilization of resources

Regulation 11.1 3.1: All financial resources of the Programme UNDP are to be available at all times to the maximum extent possible for programme and related purposes, subject only to the maintenance on a continuous basis of an Operational Reserve. After provision has been made annually for UNDP programme support and administrative costs services, all resources not otherwise committed or reserved shall be utilized for project activities and the related agency overhead support costs.

Regulation 11.2 3.2: The net resources available for programming after adequate funding of a Programme Reserve and other activities decided upon by the Governing Council shall be divided between country programming on the one hand and intercountry programming on the other in ratios determined by the Governing Council.

Regulation 11.3 3.3: There shall be established an Operational Reserve, the purposes of which are to guarantee under all circumstances the financial liquidity and integrity of the Programme UNDP, to compensate for uneven cash inflows, and to meet such other requirements as may be decided upon by the Governing Council.

Regulation 11.1: All financial resources of the Programme are to be available at all times to the maximum extent possible for programme purposes, subject only to the maintenance on a continuous basis of an Operational Reserve. After provision has been made annually for UNDP programme support and administrative costs, all resources not otherwise committed or reserved shall be utilized for project activities and the related agency overhead costs.

Regulation 11.2: The net resources available for programming after adequate funding of a Programme Reserve shall be divided between country programming on the one hand and intercountry programming on the other in ratios determined by the Governing Council.

Regulation 11.3: There shall be established an Operational Reserve the purposes of which are to guarantee under all circumstances the financial liquidity and integrity of the Programme, to compensate for uneven cash inflows, and to meet such other requirements as may be decided upon by the Governing Council.

Regulations 3.1 - 3.3 are required for the effective conduct of UNDP operations and are appropriate modifications of the provisions contained in Article III of the United Nations Regulations.
Note: "UNDP" has been substituted for the word "Programme" throughout the proposed Regulations for the sake of clarity, whenever "Programme" as previously used meant UNDP as an organization.

Regulation 11.4/ 3.4: There shall be established a Programme Reserve to meet unforeseen needs, to meet special needs of the least developed of the developing countries, to finance unanticipated projects or phases of projects, to finance projects of the special industrial services type, and to meet such other purposes as may be determined from time to time by the Governing Council.

Regulation 3.5: There shall be established a Reserve for loans to recipient Governments for accommodations for UNDP financed field personnel.

The programme support and administrative services budgets

Regulation 3.6: The proposed budgets for programme support and administrative services shall be prepared by the Administrator on a biennial basis.

Regulation 11.4: There shall be established a Programme Reserve to meet unforeseen needs, to meet special needs of the least developed of the developing countries, to finance unanticipated projects or phases of projects, to finance projects of the special industrial services type, and to meet such other purposes as may be determined from time to time by the Governing Council.

Regulation 3.4 now reflects the fact that special industrial services and projects in the least developed countries are no longer financed from the Programme Reserve.

The Council at its twentieth session: "Decided that for the 1977-1981 period the Programme Reserve should be used: (i) for financing emergency assistance in cases of natural disasters and to assist in the rehabilitation and reconstruction of stricken areas; and (ii) for the financing of contingencies, including special activities and studies designed to broaden the scope of the Programme, such as assistance for humanitarian purposes to national liberation movements recognized by OAU and promotional activities for technical co-operation among developing countries if resources were not available elsewhere, and to evaluate current activities" (ref. document E/6703/Rev.1).

This Regulation is proposed for approval in case the Council endorses the Administrator's recommendation in document DP/383 for the creation of a new reserve.

Regulations 3.6 - 3.10 are based on United Nations Regulations, appropriately modified, for inclusion in the Financial Regulations of UNDP.

Regulation 3.7: The proposed budgets shall cover income and expenditures for the biennium to which they relate and shall be presented in United States dollars.

Form of the proposed programme support and administrative services budgets

Regulation 3.8: The proposed programme support and administrative services budgets shall be divided into programmes and programme components, and shall be accompanied by such information annexes and explanatory statements as may be requested by the Governing Council, and such further annexes or statements as the Administrator may deem necessary and useful.

Supplementary proposals for the programme support and administrative services budgets for the current financial period

Regulation 3.9: Supplementary proposals for the programme support and administrative services budgets may be submitted by the Administrator whenever necessary.

Regulation 3.10: The Administrator shall prepare supplementary budget proposals in a form consistent with the approved budgets and shall submit such proposals to the Governing Council. The Advisory Committee shall review the supplementary proposals and submit its comments to the Governing Council.

ARTICLE /XII/ IV. APPROPRIATION AND ALLOCATION
OF FUNDS /BY THE ADMINISTRATOR/

Appropriations for the programme support and
administrative services budgets

Regulation 4.1: The appropriations for the programme support and administrative services budgets approved by the Governing Council shall constitute an authorization to the Administrator to incur obligations and make payments for the purposes for which the appropriations were approved and up to the amounts so approved.

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

Regulation 4.3: Appropriations shall remain available for twelve months following the end of the financial period 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 period and to liquidate any other outstanding legal obligation of the financial period. The balance of the appropriations shall be cancelled.

Regulation 4.4: At the end of the twelve-month period provided in Regulation 4.3 above, the then remaining balance of any appropriations retained will be cancelled. Any unliquidated obligations of the financial period in question shall at that time be cancelled or, where the obligation remains a valid charge, transferred as an obligation against current appropriations.

Regulations 4.1 - 4.5 are based on United Nations Regulations, appropriately modified, for inclusion in the Financial Regulations of UNDP.

Regulation 4.5: Transfers between appropriation sections may be made by the Administrator, within reasonable limits, with the concurrence of the Advisory Committee.

Allocations

Regulation /I2.1/ 4.6: Within limits determined and for purposes specified by the Governing Council, the Administrator may allocate funds to carry out UNDP programme and project activities.

Regulation /I2.2/ 4.7: Allocations by the Administrator shall constitute a ceiling on obligations for the current financial period and on commitments for future financial periods to be incurred in connexion with UNDP activities for which those allocations are issued.

- ARTICLE /VI. Voluntary Contributions/
- /VII. Government Contributions for Projects/
- /VIII. Other Government Payments/
- V. PROVISION OF FUNDS

Voluntary contributions

Regulation /6.1/ 5.1: Voluntary contributions may be accepted from Governments of Member States of the United Nations, of the specialized agencies or of the International Atomic Energy Agency.

Regulation /6.2/ 5.2: The Secretary-General of the United Nations shall convene annually a Pledging Conference at which Governments may announce their voluntary contributions to UNDP.

Regulation 12.1: Within the limits determined and for purposes specified by the Governing Council, the Administrator may allocate funds to carry out UNDP activities.

Regulation 12.2: Allocations by the Administrator shall constitute a ceiling on commitments to be incurred in connexion with UNDP activities for which those allocations are issued.

Regulation 6.1: Voluntary contributions may be accepted from Governments of Member States of the United Nations, of the specialized agencies or of the International Atomic Energy Agency.

Regulation 6.2: The Secretary-General of the United Nations shall convene annually a Pledging Conference at which Governments may announce their voluntary contributions to UNDP.

Regulations 4.6 and 4.7 are required for the effective conduct of UNDP operations and constitute modifications to the provisions contained in Article IV of the United Nations Regulations.

Regulations 5.1 - 5.8 are required for the effective conduct of UNDP operations and constitute exceptions to the provisions contained in Article V of the United Nations Regulations.

Regulation 6.3 5.3: Voluntary contributions may be pledged either on an annual basis or for a number of years.

Regulation 6.4 5.4: Voluntary contributions shall be made in currencies which are readily usable by UNDP, consistent with the need for efficiency and economy of operations, or convertible to the greatest possible extent into currencies readily usable by UNDP.

Regulation 6.5 5.5: Voluntary contributions shall be made without limitation as to use by a specific Participating and Executing Agency, in a specific recipient country or for a specific project. No contributing Government shall receive special treatment with respect to its voluntary contribution nor shall negotiation for the use of currencies contributed to UNDP take place between contributing and recipient Governments.

Regulation 6.6 5.6: The Administrator shall report annually to the Governing Council on the nature of restrictions on the use of voluntary contributions and the extent to which such restrictions have affected the flexibility, efficiency and economy of UNDP operations.

Regulation 7.1 and 7.2 5.7: Recipient Governments shall be expected to finance a substantial part of the cost of projects, normally at least that part payable in local currency through counterpart contributions required from recipient Governments towards the costs of projects, which contributions shall normally may be made both in cash and or in kind or both. The level and nature of such counterpart contributions will be determined in agreement with the recipient Government

Regulation 6.3: Voluntary contributions may be pledged either on an annual basis or for a number of years.

Regulation 6.4: Voluntary contributions shall be made in currencies which are readily usable by UNDP, consistent with the need for efficiency and economy of operations, or convertible to the greatest possible extent into currencies readily usable by UNDP.

Regulation 6.5: Voluntary contributions shall be made without limitation as to use by a specific Participating and Executing Agency, in a specific recipient country or for a specific project. No contributing Government shall receive special treatment with respect to its voluntary contribution nor shall negotiation for the use of currencies contributed to UNDP take place between contributing and recipient Governments.

Regulation 6.6: The Administrator shall report annually to the Governing Council on the nature of restrictions on the use of voluntary contributions and the extent to which such restrictions have affected the flexibility, efficiency and economy of UNDP operations.

Regulation 7.1: Recipient Governments shall be expected to finance a substantial part of the cost of projects, normally at least that part payable in local currency.

Regulation 7.2: Counterpart contributions required from recipient Governments towards the costs of projects shall normally be made both in cash and in kind. The level and nature of such counterpart contributions will be determined in agreement with the recipient Govern-

Former Regulations 7.1 and 7.2 have been merged and amended to reflect current practice.

and in the light of policies established by the Governing Council. The level, nature and timing of such counterpart contributions will be described, as appropriate, in the relevant project document.

Regulation 7.3 5.8: The Governing Council shall establish the level for cash contributions required expected from recipient Governments towards local costs. The assessment of such local cost obligations may be waived in full or in part in cases of hardship.

Other governmental contributions and payments

Regulation 8.1: Whenever the Governing Council has approved assistance to a requesting Government on a refundable basis, that Government shall refund the cost of such assistance to UNDP in accordance with an agreement to be concluded between UNDP and the Government concerned.

Regulation 8.2 5.9: Host Governments shall be expected to finance contribute a substantial portion of the local currency costs of UNDP field offices in accordance with agreements between the Administrator and the host Government concerned, and the Administrator shall not be required to furnish special reports to host Governments on expenditures incurred.

Regulation 5.10 (a): The Administrator is authorized in his discretion to accept cost sharing arrangements (including third party cost sharing arrangements), subject to such principles as the Governing Council may set forth.

ment and in the light of policies established by the Governing Council. The level, nature and timing of such counterpart contributions will be described, as appropriate, in the relevant project document.

Regulation 7.3: The Governing Council shall establish the level for cash contributions required from recipient Governments towards local costs. The assessment of such local cost obligations may be waived in full or in part in cases of hardship.

Regulation 8.1: Whenever the Governing Council has approved assistance to a requesting Government on a refundable basis, that Government shall refund the cost of such assistance to UNDP in accordance with an agreement to be concluded between UNDP and the Government concerned.

Regulation 8.2: Host Governments shall be expected to finance a substantial portion of the local currency costs of UNDP field offices in accordance with agreements between the Administrator and the host Government concerned.

This Regulation has been amended to reflect the Council's decision taken at its twentieth session to abolish the former assessed programme costs.

This method of approving assistance is no longer utilized and the Regulation has accordingly been eliminated.

Regulation 5.9 is required for the effective conduct of UNDP operations and constitutes an exception to the provisions contained in Article V of the United Nations Regulations.

This Regulation is proposed for approval by the Governing Council pursuant to the Council's decision regarding Cost Sharing activities taken at its twenty-fourth session (document E/6013/Rev.1, p. 82).

(b): Payments toward cost sharing arrangements shall be made in advance of the implementation of operations, but this shall not preclude acceptance of instalment payments pursuant to agreements made between the donor government and the Administrator.

(c): In case of default in making the payments required under Regulation 5.10 (b) above, the indicative planning figure of the recipient country shall be charged with those costs which would otherwise have been so financed.

ARTICLE III VI. THE UNDP ACCOUNT

Regulation 3.1 6.1: There shall be established a UNDP Account to which all resources of UNDP shall be credited, except for resources derived from trust funds, and from which allocations shall be made and against which all expenditures on behalf of UNDP shall be charged.

Regulation 3.1: There shall be established a UNDP Account to which all resources of UNDP shall be credited, from which allocations shall be made and against which all expenditures on behalf of UNDP shall be charged.

Regulations 6.1 - 6.5 are required for the effective conduct of UNDP operations and constitute exceptions to the provisions contained in Article VI of the United Nations Regulations.

Regulation 3.2 6.2: Within the UNDP Account, separate subsidiary accounts shall be maintained for as determined by the Administrator, which shall include separate accounts for:

Regulation 3.2: Within the UNDP Account, separate accounts shall be maintained for:

The UNDP Account does not include trust funds, which are provided for under Regulation 6.5. Accordingly, part (d) of Regulation 6.2 should be eliminated.

- (a) An Operational Reserve;
- (b) A Programme Reserve; and
- (c) Any other reserves which the Governing Council may approve.

- (a) An Operational Reserve;
- (b) A Programme Reserve;
- (c) Any other reserves which the Governing Council may approve;
- (d) Each trust fund established by the Governing Council.

(d) Each trust fund established by the Governing Council.7

Regulation 3.3 6.3: Working capital shall be provided from the cash resources of the UNDP Account.

Regulation 3.3: Working capital shall be provided from the cash resources of the UNDP Account.

Regulation 3.5 6.4: The Operational Reserve authorized under Regulation 3.2 3.3 above shall be established at the level of \$150,000,000 on a fully funded liquid basis at a level determined by the Governing Council.

Regulation 3.5: The Operational Reserve authorized under Regulation 3.2 shall be established at the level of \$150,000,000 on a fully funded liquid basis.

Regulation 6.4 has been amended in order to allow for possible future decisions regarding the level of the Operational Reserve.

Regulation 3.4 and 3.6 6.5: (a) Trust funds may be established for specified purposes consistent with the policies, aims and activities of UNDP subject to the prior approval of the Governing Council in each case. The purpose and limits of each trust fund shall be clearly defined by the Governing Council:

Regulation 3.4: Trust funds may be established for specified purposes consistent with the policies, aims and activities of UNDP, subject to the prior approval of the Governing Council in each case. The purpose and limits of each trust fund shall be clearly defined by the Governing Council.

- (i) By the Governing Council, or
- (ii) By the Administrator who, taking into account the multilateral character of the Programme UNDP, is authorized to accept voluntary contributions as trust funds from States Members of the United Nations or members of specialized agencies as trust funds for projects or programmes which have received the prior approval or endorsement of the General Assembly and/or the Economic and Social Council, or for projects or programmes requiring immediate acceptance or action by the Administrator to further the programme of UNDP provided that.

Regulation 3.6: The Administrator, taking into account the multilateral character of the Programme, is authorized to accept voluntary contributions from States Members of the United Nations or members of specialized agencies as Trust Funds for projects or programmes which have received the prior approval or endorsement of the General Assembly and/or the Economic and Social Council provided that the acceptance of such contributions which directly or indirectly involve additional financial liability for the Organization shall require the prior consent of the Governing Council and the Governing Council shall be kept informed as to the amount accepted and the funds utilized by the Administrator and also as to the purposes for which such funds were expended.

(b) The purpose and limits of each trust fund shall be clearly defined by the appropriate authority. The acceptance of such contributions which directly or indirectly involve additional financial liability for the Organization UNDP shall require the prior consent of the Governing Council and the Governing Council shall be kept informed by the Administrator as to the amount

accepted, and the funds utilized by the Administrator and also as to the purposes for which such funds were expended.

ARTICLE X. Miscellaneous Income

IX. Donations VII. OTHER INCOME

Regulation 10.1 7.1: All income to UNDP except:

- (a) Voluntary contributions and donations to the general resources of UNDP (including contributions toward local costs and cash payments toward UNDP field office costs);
- (b) Government counterpart contributions in cash;
- (c) Payments toward local costs cost sharing;
- (d) Donations;
- (e) Payments toward UNDP field offices;
- (f) (d) Payments by Governments for refundable assistance;
- (g) (e) Direct refunds of expenditures and made during the financial period, other than refunds pertaining to ongoing projects, which shall be credited to the relevant project;
- (f) Advances or deposits to funds; and
- (h) (g) Revenue derived from the Staff Assessment Plan

shall be classed as miscellaneous income.

Regulation 9.1 7.2 (a): Donations from non-governmental sources may be accepted by UNDP the Administrator

Regulation 10.1. All income to UNDP except:

- (a) Voluntary contributions;
- (b) Government contributions in cash;
- (c) Payments toward local costs;
- (d) Donations;
- (e) Payments toward UNDP field offices;
- (f) Payments by Governments for refundable assistance;
- (g) Direct refunds of expenditures; and
- (h) Revenue derived from the staff assessment plan

shall be classed as miscellaneous income.

Regulation 9.1: Donations from non-governmental sources may be accepted by UNDP for purposes consistent with those of the UNDP.

Regulations 7.1 and 7.2 are required for the effective conduct of UNDP operations and constitute exceptions to the provisions contained in Article VII of the United Nations Regulations.

for purposes consistent with those of the policies, aims and activities of UNDP.

Regulation 9.2 (b): No limitation may be imposed by the donor as to use of donations by a specific Participating and Executing Agency, in a specific recipient country, or for a specific project.

Regulation 9.3 (c): Individual Any donation s of a value in excess of \$10,000 shall be accepted only with the prior approval of separately identified in the report to the Governing Council.

ARTICLE IV VIII. CUSTODY OF FUNDS

Regulation 4.1 8.1: The Secretary-General shall act as custodian of the funds in the UNDP Account and shall designate the bank or banks in which such funds shall be kept.

Regulation 4.2 8.2: In agreement with The Administrator The Secretary-General may, in the absence of restrictions imposed by contributing Governments, exchange UNDP currencies with other funds for which the Secretary-General is the custodian and, when required, utilize currencies in the UNDP Account to purchase other currencies.

Regulation 4.3 8.3: The Administrator and the Participating and Executing Agencies shall endeavour, consistent with the need for efficiency and economy of operations, to make the fullest possible use of all available currencies in the UNDP Account.

Regulation 9.2: No limitation may be imposed by the donor as to use of donations by a specific Participating and Executing Agency, in a specific recipient country, or for a specific project.

Regulation 9.3: Individual donations of a value in excess of \$10,000 shall be accepted only with the prior approval of the Governing Council.

Regulation 4.1: The Secretary-General shall act as custodian of the funds in the UNDP Account and shall designate the bank or banks in which such funds shall be kept.

Regulation 4.2: In agreement with the Administrator, the Secretary-General may, in the absence of restrictions imposed by contributing Governments, exchange UNDP currencies with other funds for which the Secretary-General is the custodian and, when required, utilize currencies in the UNDP Account to purchase other currencies.

Regulation 4.3: The Administrator and the Participating and Executing Agencies shall endeavour, consistent with the need for efficiency and economy of operations, to make the fullest possible use of all available currencies in the UNDP Account.

This Regulation remains unchanged. This authority has been retained by the Secretary-General.

This authority has been delegated by the Secretary-General to the Administrator.

No substantive change.

ARTICLE V IX. INVESTMENT OF FUNDS

Regulation 5.1 9.1: Account being taken of the objectives of the UNDP and the special requirements of its operations, moneys not required immediately may be invested by the Secretary-General, in consultation with the Administrator, in a manner consistent with the Financial Regulations and policies of the United Nations.

Regulation 5.2 9.2: Within limits and under terms established by the Governing Council, investments may be made in the form of participation in development loans by international or regional development banks or in loans to assist Governments in the construction of housing for experts accommodations for UNDP financed field personnel.

Regulation 5.3 9.3: The specific advance approval of the Governing Council shall be required for any loan not clearly authorized under the provisions of Regulations 5.1 9.1 and 5.2 9.2.

Regulation 5.4 9.4: Income derived from investments, other than trust fund investments, shall be credited to the general resources of UNDP. Income derived from investments of trust funds shall be credited in accordance with the terms and conditions of the trust funds concerned.

Regulation 5.1: Account being taken of the objectives of the UNDP and the special requirements of its operations, moneys not required immediately may be invested by the Secretary-General, in consultation with the Administrator, in a manner consistent with the Financial Regulations and policies of the United Nations.

Regulation 5.2: Within limits and under terms established by the Governing Council, investments may be made in the form of participation in development loans by international or regional development banks or in loans to assist Governments in the construction of housing for experts.

Regulation 5.3: The specific advance approval of the Governing Council shall be required for any loan not clearly authorized under the provisions of Regulations 5.1 and 5.2.

Regulation 5.4: Income derived from investments, other than trust fund investments, shall be credited to the general resources of UNDP. Income derived from investments of trust funds shall be credited in accordance with the terms and conditions of the trust funds concerned.

This Regulation does not require change. A fuller explanation of the agreed procedure is contained in the document on Custody of Funds.

No comparable UN provision. Change suggested depends upon Governing Council action on document DP/383.

No substantive change.

No substantive change.

ARTICLE X. INTERNAL CONTROL

The title and the provisions of this Article are based on United Nations Regulations previously applied to UNDP only by the operation of the mutatis mutandis clause.

Regulations 10.1 and 10.2, appropriately modified, are based on United Nations Regulations on internal control.

Regulation 10.1: The Administrator 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 payments have not previously been made;
- (c) Designate the officers who may receive moneys, incur obligations and make payments on behalf of UNDP;
- (d) Maintain an internal financial control which shall provide for an effective current examination 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 UNDP;
 - (ii) The conformity of obligations and expenditures with the appropriations or other financial provisions decided upon by the Governing Council or with the purposes and rules relating to trust funds;
 - (iii) The economic use of the resources of UNDP.

Regulation 10.2: Obligations for the current financial period or commitments for future financial periods shall be incurred only after allotments or other appropriate

authorizations have been made in writing under the authority of the Administrator.

Regulation /14.5/ 10.3: The Administrator may make such ex gratia payments /not exceeding \$20,000/ as he deems to be necessary in the interest of /the Organization/ UNDP, provided that a statement of such payments shall be submitted to the General Assembly and the Governing Council with the /annual/ accounts.

Regulation /14.6/ 10.4: The Administrator 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 shall be submitted to the Auditors with the /annual/ accounts.

Regulation /13.5/ 10.5: In conformity with decisions taken and guidelines issued by the Governing Council as approved or endorsed by the General Assembly, the Administrator shall be responsible for the purchasing of equipment and supplies and the contracting of services where budgetary provision has been made in the UNDP budget for programme support and administrative costs and in the budgets of projects which UNDP itself executes. The Administrator shall issue appropriate financial rules to implement this Regulation.

Regulation 10.6: The Administrator may issue guidelines to the Executing Agencies, reflecting principles approved or established by the General Assembly in paragraph 44 of resolution 2688 (XXV), the Consensus, of 11 December 1970, and by other relevant decisions, for the retention of individual experts, institutions, firms and training facilities, and for the procurement of equipment, supplies and other items to be financed from the resources UNDP.

Regulation 14.5: The Administrator may make such ex gratia payments not exceeding \$20,000 as he deems to be necessary in the interest of the Organization, provided that a statement of such payments shall be submitted to the General Assembly and the Governing Council, with the annual accounts.

Regulation 14.6: The Administrator 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 shall be submitted to the Auditors with the annual accounts.

Regulation 13.5: The Administrator shall be responsible for the purchasing of equipment and supplies and the contracting of services where budgetary provision has been made in the UNDP budget for programme support and administrative costs and in the budgets of projects which UNDP itself executes. The Administrator shall issue appropriate financial rules to implement this Regulation.

This Regulation has been changed to harmonize with United Nations Regulation 10.3.

Change is consequential only to reflect biennial budgeting and accounts. It is now harmonized exactly with UN Regulation 10.4.

This Regulation has been changed to reflect General Assembly resolution 2688 (XXV), para. 44.

This additional Regulation is proposed in order to respond to the provisions of the Consensus and other relevant decisions with respect to the procurement of services and goods.

ARTICLE ~~/XIV/~~ XI. THE ACCOUNTS

Regulation ~~/I4.1/~~ 11.1: The Administrator shall submit accounts annually showing:

- (a) The income and expenditures 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 made by the Governing Council;
 - (iv) The amounts charged against those appropriations and/or other credits;
- (c) The assets and liabilities of UNDP.

He shall also give such other information as may be appropriate to indicate the current financial position of UNDP and shall maintain such accounts and records as are necessary to enable him to report to the Governing Council and the General Assembly on the financial status of the United Nations Development Programme.

Regulation 11.2: For the programme support and administrative services budgets, which are on the biennial basis prescribed in Regulation 2.1 (a), the information to be submitted under Regulation 11.1 for the first calendar year of the financial period shall be based on interim accounts maintained for management purposes.

Regulation 14.1: The Administrator shall maintain such accounts and records as are necessary to enable him to report to the Governing Council and the General Assembly on the financial status of the United Nations Development Programme.

This Regulation has been harmonized with UN Regulation 11.1, but a previous partial sentence from present UNDP Regulation 14.1 has been retained.

There is no fully comparable UN Regulation because UNDP's financial accounts for its two basic types of expenditure are, under present Governing Council decisions, handled differently: Programme and project expenditure are not on a biennial budget basis, while programme support and administrative services budgets are to be on a biennial basis for 1980-81. This proposed Regulation harmonizes the handling of the programme support and administrative services budgets report with UN practice.

Regulation 14.2 11.3: Financial reports on the United Nations Development Programme The accounts of UNDP shall be presented in United States dollars. Accounts and other financial Accounting records may, however, be maintained kept in such currency or currencies as the Administrator may deem necessary.

Regulation 14.2: Financial reports on the United Nations Development Programme shall be presented in United States dollars. Accounts and other financial records may, however, be maintained in such currency or currencies as the Administrator may deem necessary.

This Regulation has been harmonized with UN Regulation 11.2.

Regulation 11.4: Appropriate separate accounts shall be maintained for all trust funds, reserve and special accounts.

This Regulation is identical to UN Regulation 11.3.

Regulation 14.3 11.5: Each Participating and Executing Agency shall maintain such accounts and records as are necessary to enable it to report on the financial status of allocations issued by the Administrator to cover UNDP activities executed by it, including in particular the balance of recorded allocations, commitments, expenditures obligations, disbursements and unliquidated commitments for future financial periods. (See also Regulations 1.6 and 4.7.)

Regulation 14.3: Each Participating and Executing Agency shall maintain such accounts and records as are necessary to enable it to report on the financial status of allocations issued by the Administrator to cover UNDP activities executed by it, including in particular the balance of recorded allocations, commitments, expenditures and unliquidated commitments.

This Regulation, which is required for the effective conduct of UNDP operations, is not contained in the UN Regulations. The change reflects current UNDP accounting terminology.

Regulation 14.4 11.6: The annual accounts of the United Nations Development Programme shall be submitted by the Administrator to the United Nations Board of Auditors not later than 30 April following the end of the respective financial year periods prescribed by Regulation 2.1.

Regulation 14.4: The annual accounts of the United Nations Development Programme shall be submitted by the Administrator to the United Nations Board of Auditors not later than 30 April following the end of the financial period.

This Regulation is in harmony with UN Regulation 11.4, but takes account of the respective financial periods for UNDP's activities.

ARTICLE XV XII. EXTERNAL AUDIT

Note: United Nations Regulations 12.1 - 12.12 and the "Additional terms of reference governing the audit of the United Nations"

apply or are relevant to UNDP. This text is included for information and completeness as an attachment to present Annex I.

Regulation /15.1/ 12.13: The reports of the Board of Auditors shall be transmitted to the Governing Council together with the audited financial statements. The reports shall also be transmitted to the Advisory Committee, together with the audited financial statements, in accordance with any directions given by the Assembly. The Advisory Committee shall examine the financial statements and the audit reports and shall forward them to the Assembly with such comments as it deems appropriate.

Agency accounts and audit certificates

Regulation /15.2/ 12.14 (a): The Participating and Executing Agencies shall transmit to the Administrator for submission to the Governing Council annual accounts showing the status of funds allocated to them by the Administrator for the execution of UNDP activities. Such accounts shall bear audit certificates from the Participating and Executing Agencies' External Auditors and shall be accompanied by their reports, if any, and copies of any relevant resolutions adopted by the Participating and Executing Agencies' legislative or governing bodies.

(b): Notwithstanding Regulation 12.14 (a) above, Participating and Executing Agencies who have adopted a biennial financial period and who

Regulation 15.1: The annual accounts showing the financial status of the United Nations Development Programme, with audit certificate and report, if any, from the United Nations Board of Auditors, shall be transmitted to the Governing Council, the Advisory Committee on Administrative and Budgetary Questions and the United Nations General Assembly by the Administrator.

Regulation 15.2: The Participating and Executing Agencies shall transmit to the Administrator for submission to the Governing Council annual accounts showing the status of funds allocated to them by the Administrator for the execution of UNDP activities. Such accounts shall bear audit certificates from the Participating and Executing Agencies' External Auditors and shall be accompanied by their reports, if any, and copies of any relevant resolutions adopted by the Participating and Executing Agencies' legislative or governing bodies.

United Nations Regulation 12.11 has been modified to conform with present UNDP practice and is proposed for inclusion as UNDP Regulation 12.13.

There is no comparable UN Regulation. The present UNDP Regulation has been changed to cover agencies with biennial

do not request audit certificates covering the accounts of the first year of the biennium shall submit unaudited interim accounts for that year.

Regulation /15.3/ 12.15: The planning of the audits required by Regulation /s 15.1 and 15.2/ 12.14 above shall be the responsibility of the External Auditors of the organizations concerned and their co-ordination shall be exercised by the Panel of External Auditors of the United Nations and the Participating and Executing Agencies. The audits shall be conducted in accordance with the principles governing the audit procedures of the United Nations and the Participating and Executing Agencies. To the extent feasible, Governments which are Executing Agencies shall require their External Auditors to follow the audit principles and procedures prescribed above.

Regulation 15.3: The planning of the audits required by Regulations 15.1 and 15.2 above shall be the responsibility of the External Auditors of the organizations concerned and their co-ordination shall be exercised by the Panel of External Auditors of the United Nations and the Participating and Executing Agencies. The audits shall be conducted in accordance with the principles governing the audit procedures of the United Nations and the Participating and Executing Agencies.

financial periods who do not request interim audit certificates.

There is no comparable UN Regulation. The present UNDP Regulation has been changed to cover Governments as executing agencies.

ARTICLE XIII. RESOLUTIONS INVOLVING EXPENDITURES

These United Nations Regulations are not applicable to UNDP.

United Nations Regulations 13.1 and 13.2 do not apply to UNDP and have been omitted.

ARTICLE XIV. GENERAL PROVISIONS

Regulation 14.1: These Regulations shall become effective on 1 January 1980 and shall apply to the financial period starting on 1 January 1980 and to subsequent financial periods. They may be amended by the Governing Council.

This Regulation is based on United Nations Regulation 14.1, appropriately modified, for inclusion in the Financial Regulations of UNDP. (See also UNDP Regulation 1.2.)

ARTICLE XV. SPECIAL PROVISIONS

These United Nations special provisions are not applicable to UNDP: they apply to the International Court of Justice.

ARTICLE ~~XIII~~ XVI. IMPLEMENTING THE
UNDP PROGRAMME

Regulation ~~13.1~~ 16.1: Arrangements for the execution of projects, including projects to be executed by the requesting Government, shall be subject to the approval or acceptance of the requesting Government or Governments, and shall be specified in agreements with each of those Governments.

Regulation ~~13.2~~ 16.2: Projects shall be executed, whenever possible, by the United Nations, by the specialized agencies concerned, or by the International Atomic Energy Agency. First consideration shall normally be given to these organizations in the selection of the agent by which UNDP assistance to each project will be implemented. Agreements shall be entered into between the Administrator and each Participating and Executing Agency in which the general terms and conditions which are to govern the financing and execution of such projects are specified.

Regulation ~~13.3~~ 16.3: Under conditions established by the Governing Council, the Administrator is also authorized to contract for the services of other agencies, private firms or individual experts in the execution of projects and to assign projects to a Government, a governmental institution or governmental agency for

Regulation 13.1: Arrangements for the execution of projects, including projects to be executed by the requesting Government, shall be subject to the approval or acceptance of the requesting Government or Governments, and shall be specified in agreements with each of those Governments.

Regulation 13.2: Projects shall be executed, whenever possible, by the United Nations, by the specialized agencies concerned, or by the International Atomic Energy Agency. First consideration shall normally be given to these organizations in the selection of the agent by which UNDP assistance to each project will be implemented. Agreements shall be entered into between the Administrator and each Participating and Executing Agency in which the general terms and conditions which are to govern the financing and execution of such projects are specified.

Regulation 13.3: Under conditions established by the Governing Council, the Administrator is also authorized to contract for the services of other agencies, private firms or individual experts in the execution of projects and to assign projects to a Government, a governmental institution or governmental agency for execution. The

Article XVI, Regulations 16.1 - 16.4, are required to govern the UNDP operational activities for which there are no similar provisions in the Regulations of the United Nations. Article XVI replaces UNDP Article XIII.

execution. The Administrator shall issue appropriate rules to implement this Regulation.

Regulation ~~13.4~~ 16.4: Detailed arrangements for the execution of each individual project shall be specified in a project document.

Administrator shall issue appropriate rules to implement this Regulation.

Regulation 13.4: Detailed arrangements for the execution of each individual project shall be specified in a project document.

ARTICLE XII. EXTERNAL AUDIT
(United Nations Financial Regulations 12.1 - 12.12)

Appointment of a Board of Auditors

Regulation 12.1: The General Assembly shall appoint a Board of Auditors to perform the audit of the accounts of the United Nations. This Board shall consist of three members, each of whom shall be the Auditor-General (or officer holding the equivalent title) of a Member State.

Tenure of office of the members of the Board of Auditors

Regulation 12.2: The members of the Board of Auditors shall be elected for a three-year term of office. The term of office shall commence on 1 July and expire on 30 June three years subsequent thereto. The term of office of one of the Members shall expire each year. Consequently, the General Assembly shall elect each year a member to take office from 1 July of the following year.

Regulation 12.3: If a member of the Board of Auditors ceases to hold office as Auditor-General (or equivalent title) in his own country, his tenure of office shall thereupon be terminated and he shall be succeeded as a member of the Board by his successor as Auditor-General. A Board member may not otherwise be removed during his tenure of office except by the General Assembly.

Scope of audit

Regulation 12.4: The audit shall be conducted in conformity with generally accepted common auditing standards and, subject to any special directions of the General Assembly, in accordance with the additional terms of reference set out in the annex to the present Regulations.

Regulation 12.5: The Board of 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.

Regulation 12.6: The Board of Auditors shall be completely independent and solely responsible for the conduct of the audit.

Regulation 12.7: The Advisory Committee may request the Board of Auditors to perform certain specific examinations and issue separate reports on the results.

Regulation 12.8: The Administrator shall provide the Board of Auditors with the facilities it may require in the performance of the audit.

Regulation 12.9: For the purpose of making a local or special examination or of effecting economies in the audit cost, the Board of Auditors may engage the services of any national Auditor-General (or equivalent title) or commercial public auditors of known repute, or any other person or firm who, in the opinion of the Board, is technically qualified.

Reporting

Regulation 12.10: The Board of Auditors shall issue a report on the audit of the financial statements and relevant schedules relating to the accounts for the financial period, which shall include such information as the Board deems necessary with regard to matters referred to in Regulation 12.5 and in the additional terms of reference.

Regulation 12.11: The reports of the Board of Auditors shall be transmitted to the General Assembly through the Advisory Committee, together with the audited financial statements, in accordance with any directions given by the Assembly. The Advisory Committee shall examine the financial statements and the audit reports and shall forward them to the Assembly with such comments as it deems appropriate.

Audit assignment allocation

Regulation 12.12: The Board of Auditors shall, subject to the concurrence of the Advisory Committee, allocate and rotate the audit work among the members of the Board.

ANNEX TO THE FINANCIAL REGULATIONS

Additional terms of reference governing the audit of the United Nations

1. The Board of Auditors shall perform jointly and severally such audit of the accounts of the United Nations, including all trust funds and special accounts, as it deems necessary in order to satisfy itself:

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

(b) That the financial transactions reflected in the statements have been in accordance with the Rules and Regulations, the budgetary provisions and other applicable directives;

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

(d) That the internal controls, including the internal audit, are adequate in the light of the extent of reliance placed thereupon;

(e) That procedures satisfactory to the Board of Auditors have been applied to the recording of all assets, liabilities, surpluses and deficits.

2. The Board of Auditors shall be the sole judge as to the acceptance in whole or in part of certifications and representations by the Secretary-General and may proceed to such detailed examination and verification as it chooses of all financial records, including those relating to supplies and equipment.

3. The Board of Auditors and its staff shall have free access at all convenient times to all books, records and other documentation which are, in the opinion of the Board of Auditors, necessary for the performance of the audit. Information which is classified as privileged and which the Secretary-General (or his designated senior official) agrees is required by the Board for the purposes of the audit and information classified as confidential shall be made available on application. The Board of Auditors and its staff shall respect the privileged and confidential nature of any information so classified which has been made available and shall not make use of it except in direct connexion with the performance of the audit. The Board may draw the attention of the General Assembly to any denial of information classified as privileged which, in its opinion, was required for the purpose of the audit.

4. The Board of Auditors shall have no power to disallow items in the accounts but shall draw to the attention of the Secretary-General for appropriate action any transaction concerning which it entertains doubt as to legality or propriety. Audit objections, to these or any other transactions, arising during the examination of the accounts shall be communicated immediately to the Secretary-General.

5. The Board of Auditors (or such of its officers as it may designate) shall express and sign an opinion in the following terms:

"We have examined the following appended financial statements, numbered _____ to _____, properly identified, and relevant schedules of /name of the body/ for the financial

period ended 31 December 19 . Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. As a result of our examination, we are of the opinion that the financial statements properly reflect the recorded financial transactions for the financial period, which transactions were in accordance with the Financial Regulations and legislative authority, and present fairly the financial position as at 19 ",

adding, should it be necessary:

"subject to the observations in our foregoing report".

6. The report of the Board of Auditors on the financial statements should mention:

- (a) The type and scope of its examination;
- (b) Matters affecting the completeness or accuracy of the accounts, including where appropriate:
 - (i) Information necessary to the correct interpretation of the accounts;
 - (ii) Any amounts which ought to have been received but which have not been brought to account;
 - (iii) Any amounts for which a legal or contingent obligation exists and which have not been recorded or reflected in the financial statements;
 - (iv) Expenditures not properly substantiated;
 - (v) Whether proper books of accounts have been kept - where in the presentation of statements there are deviations of a material nature from the generally accepted accounting principles applied on a consistent basis, these should be disclosed;
- (c) Other matters which should be brought to the notice of the General Assembly, such as:
 - (i) Cases of fraud or presumptive fraud;
 - (ii) Wasteful or improper expenditure of the Organization's money or other assets (notwithstanding that the accounting for the transaction may be correct);
 - (iii) Expenditure likely to commit the Organization to further outlay on a large scale;
 - (iv) Any defect in the general system or detailed regulations governing the control of receipts and disbursements or of supplies and equipment;
 - (v) Expenditure not in accordance with the intention of the General Assembly after making allowance for duly authorized transfers within the budget;

- (vi) Expenditure in excess of appropriations as amended by duly authorized transfers within the budget;
 - (vii) Expenditure not in conformity with the authority which governs it;
- (d) The accuracy or otherwise of the supplies and equipment records as determined by stock-taking and examination of the records;
- (e) If appropriate, transactions accounted for in a previous year concerning which further information has been obtained or transactions in a later year concerning which it seems desirable that the General Assembly should have early knowledge.
7. The Board of Auditors may make such observations with respect to its findings resulting from the audit and such comments on the Secretary-General's financial report as it deems appropriate to the General Assembly or to the Secretary-General.
8. Whenever the scope of audit of the Board of Auditors is restricted, or whenever the Board is unable to obtain sufficient evidence, it shall refer to the matter in its report, making clear the reasons for its comments and the effect on the financial position and the financial transactions as recorded.
9. In no case shall the Board of Auditors include criticism in its report without first affording the Secretary-General an adequate opportunity of explanation on the matter under observation.