



**Governing Council
of the
United Nations
Development Programme**

Distr.
GENERAL

DP/1984/61

21 March 1984

ORIGINAL: ENGLISH

Thirty-first session
June 1984, Geneva
Agenda item 9(e)

POLICY

FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

UNDP FINANCIAL REGULATIONS

Annexes and Amendments to UNDP Financial Regulations

Note by the Administrator

Summary

This document describes the background to the Administrator's proposals for two annexes to the UNDP Financial Regulations to meet the specific requirements of the United Nations Capital Development Fund and the United Nations Revolving Fund for Natural Resources Exploration, respectively, the text of which proposals is contained in document DP/1984/61/Add.1. This is in response to the request of the Governing Council, contained in decision 81/28, that the Administrator prepare, where appropriate, annexes to the UNDP Financial Regulations covering the unique requirements of the funds and programmes entrusted to UNDP for administration.

The document also contains details of proposed amendments to: (a) Annex I of the UNDP Financial Regulations concerning UNFPA; (b) UNDP Financial Regulation 16.3, as recommended by the United Nations Board of Auditors; and (c) the Information Annex to the UNDP Financial Regulations, which contains additional terms of reference governing the audit of the accounts by the United Nations Board of Auditors.

CONTENTS

<u>Chapter</u>		<u>Page</u>
I.	ANNEXES TO THE UNDP FINANCIAL REGULATIONS	3
II.	AMENDMENTS TO THE UNDP FINANCIAL REGULATIONS	4
III.	RECOMMENDATION OF THE ADMINISTRATOR	5
Annex:	General Assembly decision 38/408. Amendments to the annex to the Financial Regulations to the United Nations: Additional terms of reference governing the audit of the United Nations.	

I. ANNEXES TO THE UNDP FINANCIAL REGULATIONS

A. UNCDF and UNRFNRE

1. At its twenty-eighth session in June 1981, in operative paragraph 3 of decision 81/28, the Governing Council approved revised financial regulations for UNDP and requested the General Assembly to authorize the Governing Council of UNDP to formulate financial regulations in respect of all funds administered, or to be administered in future, by UNDP, thereby amending, in particular, relevant provisions of past General Assembly resolutions relating, inter alia, to the United Nations Capital Development Fund (UNCDF).

2. In operative paragraph 4 of decision 81/28, the Council requested the Administrator, should the General Assembly take the action requested in paragraph 3 of the same decision, to prepare, where appropriate, annexes to the UNDP financial regulations covering the unique requirements of the funds and programmes entrusted to UNDP for administration.

3. As reported to the Council at its twenty-ninth session (DP/1982/57), General Assembly resolution 36/227 authorized the Governing Council of UNDP to adopt financial regulations in respect of all funds administered by the Programme and to report such regulations to the General Assembly. By the same resolution the General Assembly decided, on a provisional basis, that the financial regulations of UNCDF, after they have been reviewed by the Advisory Committee on Administrative and Budgetary Questions (ACABQ), shall be adopted by the Governing Council of UNDP, which shall report such regulations to the General Assembly, account being taken, in the preparation of these regulations, of the special requirements of the operations of UNCDF.

4. In accordance with the General Assembly resolution and Governing Council decision referred to above, the Administrator has prepared two annexes to the UNDP financial regulations for consideration by the Council at its thirty-first session. These proposed annexes are contained in document DP/1984/61/Add.1.

5. To assist the members of the Council in their review of these texts, the Administrator has also prepared an annotated version of each proposed annex. These annotated versions, which are contained in document DP/1984/61/Add.2, provide a comparison of the existing text of the UNDP financial regulation and the proposed text of the comparable regulation for the Fund concerned, as well as remarks, where appropriate, indicating in particular the General Assembly resolution or other basis for the proposed wording contained in the annexes.

B. UNFPA

6. Annex I to the UNDP financial regulations relates to the United Nations Fund for Population Activities (UNFPA). The existing text thereof, which was approved by the Council in its decision 81/28, reads as follows:

/...

"The UNDP Financial Regulations are not applicable to UNFPA which operates under its own Financial Regulations and Rules as approved by the Governing Council in a decision taken at the 415th meeting of its seventeenth session (E/5466, paragraph 202(f))". (Underlining added.)

7. To take account of the fact that at its thirtieth session the Council approved new financial regulations for UNFPA with effect from 1 January 1984, the Administrator proposes that the existing text of Annex I to the UNDP Financial Regulations be amended by deleting the words underlined in paragraph 6 above and substituting therefor the following: ".....as approved by the Governing Council at its thirtieth session (E/1983/20, decision 83/17, section III, paragraph 3 and annex)".

II. AMENDMENTS TO THE UNDP FINANCIAL REGULATIONS

Regulation 16.3

8. The United Nations Board of Auditors has recommended that, in order to make it clear that an audit opinion on the accounts of UNDP is required every year, the words "for examination and opinion" be added to the existing text of financial regulation 16.3 which would then read as follows:

"Regulation 16.3: The accounts shall be submitted by the Administrator, not later than 30 April following the end of each calendar year, to the United Nations Board of Auditors for examination and opinion".

9. The Administrator agrees with this proposal, which gives additional clarity to the requirement that UNDP publish audited accounts every year, unlike, for example, the United Nations, which is also required to submit its accounts to its external auditors every year, but is only required to publish audited accounts for each biennium.

Information annex - Additional terms of reference governing the audit of the United Nations

10. Regulation 17.1 of the UNDP Financial Regulations provides that "the External Audit provisions of Article XII of the United Nations Financial Regulations have been annexed for information to these Regulations and shall, mutatis mutandis, apply to UNDP, except that....." (there follow certain exceptions, mainly relating to the audited accounts of executing agencies). Article XII of the United Nations Financial Regulations, together with the annex to the United Nations Financial Regulations, which provides the additional terms of reference governing the audit of the United Nations, are accordingly contained in an information annex to the UNDP Financial Regulations and constitute an integral part thereof.

11. At its thirty-eighth session the General Assembly of the United Nations decided to amend paragraphs 5, 6, and 8 of, and to add a new paragraph 10 to, the annex to the Financial Regulations of the United Nations entitled "Additional terms of reference governing the audit of the United Nations" based on proposals made by the United Nations Board of Auditors and transmitted to the General Assembly by the Secretary-General.

12. A copy of General Assembly decision 38/408 authorizing the amendments to the said annex is contained in the annex to this document. The Administrator proposes to reflect these amendments in the information annex to the UNDP Financial Regulations and to make no change to UNDP Financial Regulation 17.1, so that the amended terms of reference governing the audit of the United Nations would apply equally to the audit of UNDP.

III. RECOMMENDATION OF THE ADMINISTRATOR

13. Subject to the agreement of, and any observations made by, the Council on these matters, the Administrator would intend to revise the UNDP Financial Regulations to incorporate:

- (a) an annex in respect of the UNCDF (as annex II);
- (b) an annex in respect of the UNRFNRE (as annex III);
- (c) the revision to annex I, concerning UNFPA, described in paragraph 7 above;
- (d) the amendment to UNDP Regulation 16.3 described in paragraph 8 above; and
- (e) in the information annex to the UNDP Financial Regulations, the amendments to the "additional terms of reference governing the audit of the United Nations" approved by the General Assembly by its decision 38/408.

14. For its review of these matters at its thirty-first session, the Council will also have before it the comments of the ACABQ to whom this document is also being transmitted.

15. In light of the above, the Council may wish to consider the following draft decision for adoption:

"The Governing Council,

Having considered the proposals of the Administrator for revisions to the Financial Regulations of UNDP as contained in documents DP/1984/61, DP/1984/61/Add.1 and DP/1984/61/Add.2,

/...

Noting with appreciation the observations of the Advisory Committee on Administrative and Budgetary Questions as contained in its report (DP/1984/56),

1. Approves the following additions and amendments to the UNDP Financial Regulations:

(a) Annex II containing special provisions for the United Nations Capital Development Fund, as contained in document DP/1984/61/Add.1;

(b) Annex III containing special provisions for the United Nations Revolving Fund for Natural Resources Exploration, as contained in document DP/1984/61/Add.1;

(c) The amendment of the text of Annex I, relating to the United Nations Fund for Population Activities, as contained in paragraph 7 of document DP/1984/61;

(d) The amendment to Regulation 16.3 of the UNDP Financial Regulations, relating to the submission of annual accounts to the United Nations Board of Auditors, as contained in paragraph 8 of document DP/1984/61;

2. Notes the amendments to the annex to the Financial Regulations of the United Nations, approved by the General Assembly in its decision 38/408, concerning additional terms of reference governing the audit of the United Nations and that these will consequently be reflected in the Information Annex to the UNDP Financial Regulations;

3. Requests the Administrator to revise the UNDP Financial Regulations incorporating the above additions and amendments thereto."

General Assembly decision 38/408

Amendments to the annex to the Financial Regulations of the United Nations: Additional terms of reference governing the audit of the United Nations

Date: 25 November 1983
Adopted without a vote

Meeting: 71
Report: A/38/492

The General Assembly decided to amend paragraphs 5, 6 and 8 of the annex to the Financial Regulations of the United Nations entitled "Additional terms of reference governing the audit of the United Nations", to read as follows:

Paragraph 5

"5. The Board of Auditors (or such of its officers as it may designate) shall express and sign an opinion on the financial statements 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.'

and which states, as appropriate, whether:

(a) The financial statements present fairly the financial position as at the end of the period and the results of its operations for the period then ended;

(b) The financial statements were prepared in accordance with the stated accounting principles;

(c) The accounting principles were applied on a basis consistent with that of the preceding financial period;

(d) Transactions were in accordance with the Financial Regulations and legislative authority."

Paragraph 6

"6. The report of the Board of Auditors to the General Assembly on the financial operations of the period should mention:

..."

Paragraph 8

"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 opinion and report, making clear in its report the reasons for its comments and the effect on the financial position and the financial transactions as recorded."

and to add a new paragraph 10, as follows:

"10. The Board is not required to mention any matter referred to in the foregoing which, in its opinion, is insignificant in all respects."

