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P O L I C Y

UNITED NATIONS POPULATION FUND

Report of the Executive Director

on proposed revisions to the

Financial Regulations of UNFPA

Summary

The Executive Director hereby submits to the thirty-seventh session of the Governing Council, for its approval, revisions to UNFPA Financial Regulations requiring amendments as a result of General Assembly resolutions and Governing Council decisions, adopted after the latest revision of the Financial Regulations in June 1984.

Introduction

1. The United Nations Population Fund Financial Regulations were adopted by the Governing Council, in decision 83/17, at its thirtieth session in June 1983 and subsequently amended by decision 84/21 at the thirty-first session in June 1984. As requested by the Governing Council in decision 89/49, paragraph 3, the Executive Director hereby submits to the Council for its approval revisions to Financial Regulations 16.1, 16.3, 17.1, and 17.2. These amendments are the same as those submitted by UNDP for the same regulations. In addition, the Executive Director hereby submits amendments to other regulations as a result of General Assembly resolutions and Governing Council decisions adopted after the latest revision of the Financial Regulations in June 1984. This report also contains the Executive Director's recommendations for revisions of regulations that were considered necessary following a comprehensive review of all UNFPA financial regulations.
2. In the revised Financial Regulations presented below, the words and punctuation proposed for deletion from the existing regulations are shown in brackets, while the additions are underlined. The proposed revised regulations are presented under their corresponding Articles of the UNFPA Financial Regulations and Rules.
3. In decision 87/33, the Governing Council proposed "to the Economic and Social Council and to the General Assembly, as suggested by the Executive Director of the United Nations Fund for Population Activities, to change the formal title of the United Nations Fund for Population Activities to the United Nations Population Fund, while retaining the well-known acronym UNFPA". The proposed change was recommended to the General Assembly by the Economic and Social Council in decision 1987/175 of 8 July 1987, and the General Assembly approved the change at its ninety-sixth plenary meeting by resolution 42/430 of 11 December 1987. Regulations 1.1 and 2.1(a) are accordingly revised.

Article I - APPLICABILITY

Regulation 1.1: These regulations shall govern the financial management of the [United Nations Fund for Population Activities] United Nations Population Fund (UNFPA) and shall, unless otherwise provided by the General Assembly or the Governing Council and except as specified in these Regulations, apply, *mutatis mutandis*, to all funds administered by UNFPA.

Article II - DEFINITIONS

Regulation 2.1(a): "UNFPA" shall mean the [United Nations Fund for Population Activities] United Nations Population Fund placed under the authority of the General Assembly by General Assembly resolution 3019 (XXVII) and as amended by General Assembly resolution 42/430.

4. The original text of provisional regulations 4.5, 4.6, 13.3 and 13.4, although reviewed by the Governing Council in June 1983, remained as temporary provisions pending further review by the Governing Council of similar regulations of the United Nations Development Programme. In decision 83/17 III, paragraph 3, the Council decided that these provisional regulations should be modified in light of the proposed changes in corresponding UNDP financial regulations. The Executive Director hereby proposes the adoption of

UNFPA regulations 4.5 and 4.6 under Article IV and regulations 13.3 and 13.4 under Article XIII. These are equivalent to UNDP regulations 4.5, 4.7, 13.3 and 13.4, respectively, which were adopted by the Governing Council at its thirty-third session in decision 85/38 of 29 June 1985.

Article IV - UNFPA FUNDS

Regulation 4.5: Voluntary contributions shall be made in currencies which are readily usable by UNFPA, consistent with the need for efficiency and economy of operations, or convertible to the greatest possible extent into currencies readily usable by UNFPA.

Regulation 4.6: The Executive Director 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 UNFPA operations.

Article XIII - MANAGEMENT OF FUNDS

Regulation 13.3: The Executive Director may, in the absence of restrictions imposed by contributing Governments, exchange currencies between UNFPA funds and funds of other organizations in the United Nations system and may utilize them to purchase other currencies, whenever the Executive Director determines it would be in the interest of UNFPA.

Regulation 13.4: The Executive Director and the 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 UNFPA Account.

5. The Governing Council, at its thirty-fifth session, by decision 88/36, paragraph 22, authorized "the Executive Director to accept, on behalf of the Fund, individual donations of up to \$100,000, without prior approval of the Council";

Regulation 4.11: Individual donations of a value in excess of [~~\$25,000~~] \$100,000 shall be accepted only with the prior approval of the Governing Council.

6. Regulation 6.1 is amended in order to state clearly the time frame of the UNFPA Work Plan, as endorsed by the Governing Council in decision 88/34 II, paragraph 1, and 89/46 B, paragraph 1.

Article VI - FINANCIAL PERIOD

Regulation 6.1: For the purposes set forth in Article VII, UNFPA shall have a planning period consisting of four consecutive calendar years [to be revised annually by dropping the current calendar year and adding a new calendar year] , the first of which shall be the year following the current year. The plan covering the planning period shall be known as the UNFPA Work Plan as defined in Regulation 7.2.

7. UNFPA Regulation 7.3 was patterned after UNDP Regulation 7.3, which mentions that "subject only to the maintenance on a continuous basis of the Reserves set forth under Article XII and for working capital, and after provision has been made for the biennial budget, all resources of UNDP shall be available to the maximum extent possible for programme activities, including reimbursement of related agency support costs". UNFPA proposes to delete the words "and for working capital" in UNFPA Regulation 7.3, as a working capital fund is not foreseen in the future. Such a fund would normally be established by the Governing Council to finance budgetary appropriations pending receipt of donors' contributions. For UNFPA activities, the Governing Council has established under UNFPA Regulation 12.2 "an Operational Reserve, the purpose of which is to guarantee the financial viability and integrity of UNFPA".

8. By decision 85/20, paragraph 6, the Governing Council decided to integrate the posts of 33 UNFPA Deputy Representatives and 9 International Programme Officers into the 1986-1987 administrative and programme support services (APSS) budget and to abolish the corresponding posts previously financed from project funds. Furthermore, by decision 87/31, paragraph 1, the Governing Council also integrated the local cost component of UNFPA field offices into the APSS budget, with the effect that from 1 January 1988 onwards all costs of the UNFPA field offices network are part of the APSS budget.

Article VII - PROPOSED UTILIZATION OF RESOURCES - GENERAL FRAMEWORK

Regulation 7.3: Subject only to the maintenance on a continuous basis of the Operational Reserve set forth under Article XII [and for working capital], all resources available to UNFPA after provision has been made for the biennial budget, shall be available to the maximum extent possible for programme activities, including reimbursement of related agency support costs [and expenditures of the UNFPA Deputy Representatives' Offices].

9. As a biennium cannot span more than one planning period (as defined in Regulation 6.1), the wording in brackets in Regulation 9.1 below is deemed to be redundant.

Article IX - BIENNIAL BUDGET

Proposed biennial budget

Regulation 9.1: The biennial budget as defined in Regulation 2.2 B(i) shall be prepared by the Executive Director and shall be related to the Work Plan submitted for the current planning period [or, should the biennium span more than one planning period, the current and the following period.]

10. Regulations 15.1, 15.2, and 15.3 were formulated based on similar UNDP regulations. The terms of these regulations provide for: (a) the administration of funds; (b) the reporting on the financial status of funds; and (c) the specification of the basis, content, and periodicity of reports on funds received from or through UNDP by executing agencies. These provisions were in the UNDP regulations because, in the case of UNDP, agencies received financial resources from UNDP and from major United Nations Funds and Programmes administered by UNDP, such as the United Nations Capital Development Fund and the United Nations Volunteers Programme. However, as these conditions do not exist in UNFPA, the regulations are accordingly amended.

Article XV - EXECUTING AGENCIES

Regulation 15.1: The administration by executing agencies of funds obtained from [or through] UNFPA, shall be carried out under their respective financial regulations, rules, practices and procedures to the extent that they are appropriate. Where the financial governances of an executing agency do not provide the required guidance, those of UNFPA shall apply.

Regulation 15.2: Each executing agency shall maintain such accounts and records as are necessary to enable it to report on the financial status of funds obtained from [or through] UNFPA, including in particular the balance of recorded allocations, expenditures and commitments.

Regulation 15.3: To ensure the uniformity and usability of data required for UNFPA management purposes, the Executive Director is authorized, after consultation with the executing agencies, to specify the basis, content and periodicity of reports on funds obtained from [or through] UNFPA which are to be submitted by executing agencies.

11. At its thirty-sixth session, the Governing Council noted with concern that the audit opinion of the Board of Auditors on the 1987 accounts of both UNDP and UNFPA was qualified. This resulted from the absence of audited financial statements of programme and programme-support expenditures of United Nations executing agencies that had adopted biennial auditing procedures. The Governing Council also recognized that this qualification was technical in nature, as established by the General Assembly in resolution 43/216 of 21 December 1988, preambular paragraph 7. The Governing Council also recognized that the audit opinion on the accounts of both organizations, UNDP and UNFPA, would remain qualified so long as audit confirmation of programme expenditures incurred by United Nations executing agencies was not available at the time the Board of Auditors issues its opinion on their accounts.

12. In order to resolve the situation, the Governing Council requested both UNDP and UNFPA to submit to the Governing Council at its thirty-seventh session (1990), after review by the Advisory Committee on Administrative and Budgetary Questions, appropriate amendments to the UNDP and UNFPA Financial Regulations which would provide that, beginning with the biennium 1990-1991, audited financial statements of UNDP and UNFPA would be submitted to the General Assembly and to the Governing Council on a biennial basis (decision 89/61, paragraph 5, and 89/49, paragraph 3). In resolution 44/183, paragraph 10, of 19 December 1989, the General Assembly approved the changes proposed by the Governing Council in decisions 89/61 and 89/49. Accordingly, the Executive Director hereby submits the appropriate amendments to the relevant Financial Regulations.

Article XVI - THE ACCOUNTS

Regulation 16.1: The Executive Director shall submit accounts [annually] **biennially** in respect of the UNFPA Account and in respect of all other funds administered by UNFPA showing:

- (a) The income and expenditures;
- (b) The assets and liabilities;

- (c) The status of allocations for programme activities and the amounts charged against those allocations;
- (d) The status of appropriations approved by the Governing Council for the biennial budget and the amounts charged against those appropriations.

The Executive Director shall also give such other information as may be appropriate to indicate the current financial position and shall maintain such accounts and records as are necessary to report to the Governing Council and the General Assembly on the financial status of funds administered by UNFPA.

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

Article XVII - EXTERNAL AUDIT

Regulation 17.1: 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 UNFPA, except that:

- (a) The reports of the Board of Auditors, together with the financial statements and the comments thereon of the Advisory Committee, shall also be transmitted to the Members of the Governing Council;
- (b) Executing agencies which are organizations of the United Nations system shall transmit to the Executive Director for submission to the Governing Council [annual] biennial accounts showing the status of funds allocated to them by the Executive Director for the execution of UNFPA activities. Such accounts shall bear audit certificates from the organizations' External Auditors and shall be accompanied by their reports, if any, and copies of any relevant resolutions adopted by their legislative or governing bodies;
- (c) In submitting the above [annual] biennial accounts to the Governing Council, the Executive Director shall comment on the Auditors' substantive observations and on their follow-up[;].

[(d) Notwithstanding (b) and (c) above, executing agencies which are organizations of the United Nations system and which have adopted a biennial financial period but which do not receive audit certificates covering the accounts of the first year of the biennium shall submit interim accounts for that year. Such interim accounts may be unaudited, provided that audited accounts are submitted covering both years of the biennial financial period.]

Regulation 17.2: The Executive Director shall ensure that Governments which are executing agencies, and other parties selected for project implementation under Regulation 8.6, shall require their auditors to follow, to the extent feasible, the audit principles and procedures prescribed for the United Nations with respect to funds obtained from [or through] UNFPA, and shall submit audit reports [annually] biennially together with the reports specified in the project document and under Article XV of these Regulations.