



GENERAL

A/1412  
30 September 1950

ORIGINAL: ENGLISH

Fifth session

Item 41 of the agenda

## PERMANENT FINANCIAL REGULATIONS OF THE UNITED NATIONS

Third report of 1950 of the Advisory Committee on  
Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has examined the text, submitted in document A/1331, Annex A, of the regulations which the Secretary-General proposes for adoption by the General Assembly as the Financial Regulations of the United Nations.
2. The Advisory Committee takes note of the fact that the draft regulations have been agreed to by the Administrative Committee on Co-ordination and that they have been, or will be, submitted by the administrative heads of the specialized agencies through the appropriate channels, for adoption as the financial regulations of their respective organizations. In view of this fact, and of the importance which the Advisory Committee attaches to the adoption of uniform regulations as a means to secure co-ordinated administration among the United Nations and the specialized agencies, every effort has been made to focus attention on the most important points, whether of substance or of form. The amendments set forth below are, for the most part, those likely, in the opinion of the Committee, to ensure a sounder financial administration. In a few cases drafting amendments are proposed which, while not indispensable, may obviate ambiguity of meaning.
3. The financial regulations which it is now proposed to replace were designated by the General Assembly as "Provisional Financial Regulations" (resolution 163 (II)). In the report submitted by the Secretary-General (A/1331) the term "Permanent Financial Regulations" is used, which the Advisory Committee interprets as signifying a transition from experimental to established

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procedures. Since, however, it seems probable that in the process of unifying administrative and financial procedures in the United Nations and the specialized agencies, other matters not covered by the present proposals may call for regulation, the Committee suggests that the title might appropriately be limited to "Financial Regulations of the United Nations."

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Amendments proposed by the Advisory Committee on  
Administrative and Budgetary Questions to the draft  
Financial Regulations of the United Nations (A/1231,  
Annex A

ARTICLE I - APPLICABILITY

1.1 No change

ARTICLE II - THE FINANCIAL YEAR

2.1 No change

ARTICLE III - THE BUDGET

3.1 No change

3.2 No change

3.3 No change

3.4 No change

3.5 No change

3.6 No change

3.7 No change

Observations

3.5 Evidence was tendered to the Committee to the effect that the information required under the provisional regulations will continue to be supplied without restriction of its scope. On that understanding the Committee agrees to the proposed text.

/3.8 Supplementary

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3.8 Supplementary estimates may be submitted by the Secretary-General whenever necessary.

3.9 The Secretary-General shall prepare supplementary estimates in a form consistent with the annual estimates and shall submit such estimates to the General Assembly ~~/and to the Advisory Committee/~~. The Advisory Committee shall review such estimates and report thereon ~~/to the General Assembly/~~.

3.9 Reference to a body subsidiary to the General Assembly which is required, under its terms of reference, to examine, and report on, the estimates to the General Assembly is considered superfluous.

#### ARTICLE IV - APPROPRIATIONS

4.1 No change

4.2 No change

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

4.3 The Committee considers that, in so far as the United Nations is concerned, a definition of the term "legal obligations" is not necessary. Experience has shown that they fall into the following categories: services rendered and goods supplied up to 31 December; commitments to an unspecified amount arising out of General Assembly resolutions, for example, reimbursement of travel expenses of representatives to sessions of the General Assembly, and reimbursement of national income taxation levied upon staff members.

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4.4 No change

- 4.4 No change
- 4.5 No transfer between appropriation sections may be made without authorization by the General Assembly.

- 4.5 The regulation proposed by the Secretary-General should, in the opinion of the Committee, be replaced by a regulation to apply when no special direction, for example, in the appropriation resolution, is given by the General Assembly. However, the Assembly annually grants an exemption in that resolution, the exemption being subject to the concurrence of the Advisory Committee.

#### ARTICLE V - PROVISION OF FUNDS

- 5.1 No change
- 5.2 No change
- 5.2a Supplementary appropriations for which contributions have not previously been assessed on the Member States;
- 5.2b No change
- 5.2c Contributions resulting from the assessment of new Member States.....
- 5.2d No change
- 5.3 . After the General Assembly has adopted the budget and determined the amount of the Working Capital Fund, the Secretary-General shall:

- 5.2a Amendment proposed for the sake of uniformity.
- 5.2c Amendment proposed for the sake of uniformity.
- 5.2d Although not proposing an amendment to this regulation, the Committee notes the view expressed by the Consultative Committee that savings on appropriations should be credited to the contributions of Member States only on condition that (i) contributions are paid promptly and in full, and (ii) the Working Capital Fund is established in an adequate amount (A/1331, paragraph 8).
- 5.3 Amendment proposed for the sake of uniformity with Article III, 3.7.

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/a. No change

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b. Inform Member States of their commitments in respect of annual contributions and advances to the Working Capital Fund:

c. No change

5.4 Contributions and advances shall be considered as due and payable in full within 30 days of the receipt of the communication of the Secretary-General referred to in Regulation 5.3 above, or as of the first day of the financial year to which they relate, whichever is the later. As of 1 January of the following financial year, the unpaid balance of such contributions and advances shall be considered to be one year in arrears.

5.5 Annual contributions and advances to the Working Capital Fund of the United Nations shall be assessed and paid in United States dollars.

5.6 No change

5.7 No change

5.8 New members shall be required to make a contribution for the year in which they become Members, and provide their proportion of the total advances to the Working Capital Fund at rates to be determined by the General Assembly.

5.3b Amendment proposed for the sake of uniformity.

5.4 a. The reference is to the financial year of the United Nations;

b. The Committee considers that the proposed additional sentence serves to clarify the provisions of Article 19 of the Charter of the United Nations.

5.5 In view of the fact that the currency of assessment and payment has been left to the individual decision of each organization concerned, the Committee proposes the insertion of the words "of the United Nations". It further considers that since a uniform regulation cannot in any case be achieved, the drafting changes proposed by the Secretary-General offer little advantage.

5.8 The drafting change proposed by the Committee is intended to remove any possible ambiguity, since the words "an advance to the Working Capital Fund" might be construed as meaning a partial payment on account.

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- 5.9 States which are not Members of the United Nations but which become parties to the Statute of the International Court of Justice or [other] treaty bodies financed from United Nations appropriations shall contribute to the estimated expenses of such bodies at rates to be determined by the General Assembly. Such contributions shall be taken into account as miscellaneous income.

#### ARTICLE VI - FUNDS

- 6.1 No change

- 6.2- There shall be established a Working Capital  
6.3 Fund in an amount and for purposes to be determined from time to time by the General Assembly. The source of monies of the Working Capital Fund shall be advances from Member States, and these advances, made in accordance with the scale of assessments as determined by the General Assembly, shall be carried to the credit of the Member States which have made such advances.

- 6.4 No change

- 6.5 Except when such advances are recoverable from some other source, advances made from the Working Capital Fund for unforeseen and extraordinary expenses or other authorized purposes shall be reimbursed through the submission of supplementary estimates.

- 6.6 No change

- 6.7 Trust Funds, Reserve and Special Accounts may be established by the Secretary-General and shall be reported to the Advisory Committee on Administrative and Budgetary Questions.

- 6.8 No change

- 5.9 The deletion of the word "other" is proposed since the regulation is intended to cover cases such as the one contemplated in resolution 353 (IV) of the General Assembly (Permanent Central Opium Board).

- 6.2- The Committee is of opinion that the two  
6.3 regulations may usefully be combined, in order to do away with unnecessary overlapping.

- 6.5 A drafting change is proposed: the transposition of the two parts of the regulation. The Committee further suggests that it may be desirable to clarify the words "from some other source", for example, through the repayment of loans to specialized agencies or advances from the revolving funds.

- 6.7 The Committee considers it desirable to make a distinction between Trust Funds which the Secretary-General cannot establish out of budget funds without a specific authorization of the General Assembly, and accounts which can be so established.

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# ARTICLE VII - OTHER INCOME

7.1 All other income, except:

7.1 The drafting change is proposed for the sake of uniformity with the heading of the article.

7.2 Voluntary contributions, whether or not in cash, may be accepted by the Secretary-General provided that the purposes for which the contributions are made are consistent

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7.3 No change

7.4 No change

# ARTICLE VIII - CUSTODY OF FUNDS

8.1 No change

# ARTICLE IX - INVESTMENT OF FUNDS

9.1 No change

9.2 The Secretary-General may make long-term investments of monies standing to the credit of Trust Funds, Reserve and special accounts in such manner as may be provided by the appropriate authority in respect of each such Fund or account.

9.2 Amendment proposed for the sake of uniformity with Article VI, 6.7.

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## ARTICLE X - INTERNAL CONTROL

- 10.1 No change
- 10.2 No change
- 10.3 No change
- 10.4 No change
- 10.5 No change

## ARTICLE XI - THE ACCOUNTS

- 11.1 The Secretary-General shall maintain such accounting records as are necessary and shall submit annual accounts.....  
.....
- 11.2 The annual accounts of the Organization shall be presented in US dollars. Accounting records may, however, be kept in such currency or currencies as the Secretary-General may deem necessary.
- 11.3 No change
- 11.4 The annual accounts shall be submitted by the Secretary-General to the Board of Auditors not later than 31 March following the end of the financial year.

11.1 The drafting change is proposed for the sake of clarity, in order to avoid the use of the same term for different things.

11.2 See above (11.1).

11.4 This amendment is proposed in order to indicate the desirability of submitting the annual accounts at the earliest possible date.



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## ARTICLE XII - EXTERNAL AUDIT

(New text for the whole of the article)

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- 12.1 Subject to any special direction of the General Assembly, each audit which the Board of Auditors established under resolution 74 (I) is required to make shall be conducted in accordance with the principles set out in the Annex to these regulations.
- 12.2 At the commencement of each financial year the Board of Auditors and the Advisory Committee shall be notified as to the sum provided to defray the cost of audit of each Trust Fund, Reserve and Special Account to be performed by the Board during the year. Thereupon, the Board shall consult the Advisory Committee relative to the scope of the several audits to be made by the Board.
- 12.3 The Board of Auditors may allocate, subject to the concurrence of the Advisory Committee, the audit work among the members of the Board: Provided, two members shall jointly certify the annual accounts submitted by the Secretary-General in accordance with the provisions of Article XI, 11.4.
- 12.4 Whenever any financial statement is certified by only one member of the Board of Auditors, there shall be associated therewith a certificate of another member of the Board to the effect that the audit programme had been approved by the Board and that all special instructions given by the Board to the member were carried out.

The Committee proposes this text (12.1 to 12.5) in place of the draft regulations submitted by the Secretary-General, which reproduce a part only of the provisions and principles set forth in General Assembly resolutions 74 (I) and 347 (IV). In the opinion of the Committee, two alternatives are possible: either to incorporate in the financial regulations all relevant parts of the above resolutions or to set out in an annex the principles governing audit procedures which the General Assembly has already adopted (resolution 347 (IV)). The Committee favours the second alternative. The amended draft regulations submitted herewith are limited to those deemed necessary to supplement resolutions 347 (IV) and 74 (I).

- 12.2- The Committee believes that the provision  
12.4. proposed in Article 12.2 is desirable as a guidance to the Board of Auditors and as a limitation upon undue expenditure. In adopting the original resolution (74 (I)) on the system of audit, the General Assembly had in view the examination of the budgetary accounts of the United Nations. Since that time, however, various Special Accounts have been created, and audit reports to be submitted to the General Assembly at its fifth session cover budgetary expenditures of approximately \$40,000,000 as against non-budgetary expenditures of approximately \$100,000,000.

/Draft

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- 12.3 The Board of Auditors may allocate, subject to the concurrence of the Advisory Committee, the audit work among the members of the Board: Provided, two members shall jointly certify the annual accounts submitted by the Secretary-General in accordance with the provisions of Article XI, 11.4.
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/Draft

Draft regulations 12.2, 12.3 and 12.4 provide other safeguards which the Committee considers desirable:

- a. the delegation of responsibility for the audits of Special Accounts is made subject to the concurrence of the Advisory Committee;
- b. at least two members of the Board must participate in the principal audit - that of the budgetary accounts of the United Nations; and
- c. the Board must collectively agree to the programmes of audit, and certify that the audit has been performed in the manner directed by the Board.

12.5 Whenever it is necessary to make a local or special examination, the Board of Auditors may, subject to the budgetary provision for the audit concerned, arrange for the services of any national auditor-general (or equivalent title) who is eligible to be appointed to the membership of the Board or of commercial public auditors of known repute.

12.5 The Committee considers it desirable to broaden the scope of the relevant regulation in order to permit the Board of Auditors to engage national auditors-general who are not members of the Board. As regards the engagement of commercial auditors, it may in certain cases be necessary to use the services of local firms of auditors who, while of established reputation, are unknown in an international sense.

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ARTICLE XIII - RESOLUTIONS INVOLVING EXPENDITURES

13.1 No change

13.2 No change

ARTICLE XIV - DELEGATION OF AUTHORITY

14.1 DELETE

ARTICLE XV - GENERAL PROVISIONS

15.1 No change

15.2 DELETE

13.1 While not proposing an amendment, the Committee is of opinion that in the preparation of the relevant reports, fuller consideration should be given to the long-term implications of proposals. Experience has shown that proposed projects, although involving little expenditure at the outset, often call for a considerable outlay in subsequent years.

14.1 The Committee proposes the deletion of this regulation, as being redundant. The Charter of the United Nations has designated the Secretary-General as the chief administrative officer of the Organization, and the delegation of authority is therefore a function implicit in his office. The text might more appropriately form part of the financial rules promulgated by the Secretary-General.

15.2 As in the case of proposed regulation 14.1, the Committee considers it more appropriate to incorporate such a provision in the financial rules.

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ARTICLE XVI - SPECIAL PROVISIONS

16.1 The estimates of the International Court of Justice ~~/and-of-the-Permanent-General-Opium Board-and-Narcotic-Drugs-Supervisory-Body/~~ shall be prepared by the Court ~~/and-the-Board~~ ~~respectively/~~ in consultation with the Secretary-General. These estimates shall be submitted to the General Assembly by the Secretary-General, together with such observations as he may deem desirable.

16.1 The Committee sees no sufficient reason for a change in the provisional regulation.

/ANNEX



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16.1 The Committee sees no sufficient reason for a change in the provisional regulation.

ANNEX TO FINANCIAL REGULATIONS

Principles to govern the audit procedures of the United Nations

(For the text of these Principles, see  
Annex A to General Assembly resolution 347 (IV)).

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