

UNITED NATIONS

GENERAL  
ASSEMBLY



RESTRICTED

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7 July 1950

ORIGINAL: ENGLISH

ADVISORY COMMITTEE ON ADMINISTRATIVE  
AND BUDGETARY QUESTIONS  
FINANCIAL REGULATIONS

(Report by the Secretary-General)

1. The Advisory Committee is aware of the various assignments which have been given by the General Assembly to the Secretary-General and the heads of the specialized agencies for achieving greater uniformity in financial practices among the organizations. Many of these assignments, such as studies of funding arrangements, form of the budget etc., have dealt with basic features of the financial administrations, in respect of which each organization was compelled to follow the particular provisions of its own financial regulations.
2. As these provisions varied considerably, it became increasingly clear that real progress toward uniformity could be made only when the financial regulations themselves were uniform. With this point in view, the eighth session of the Consultative Committee on Administrative Questions considered a paper prepared by the United Nations Secretariat in which a common set of financial regulations was proposed. The Committee, after intensive consideration, agreed on a common set of financial regulations, and reported their agreement to the Administrative Committee on Co-ordination. The Administrative Committee on Co-ordination on 3 May 1950, took note of this agreement and of the fact that the head of each organization would present this set of regulations to the appropriate bodies in their respective organizations.
3. The proposed financial regulations as agreed by the Consultative Committee and the Administrative Committee on Co-ordination are set out as Annex A and are proposed by the Secretary-General for adoption as the Financial Regulations of the United Nations in accordance with the provisions of General Assembly resolution 50 (I).

/4. Annex B  
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4. Annex B sets out the proposed regulations in comparison with the present provisional regulations, with certain comments. In addition, the Secretary-General wishes to draw particular attention to proposed regulations 4.3 and 4.4, dealing with the availability of appropriations, which read as follows:

"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 meet the outstanding legal obligations as at 31 December of that year. The balance of the appropriations will be surrendered.

"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 surrendered. Any unliquidated prior year obligations shall at that time be cancelled, or where the obligation remains a valid charge, transferred as an obligation against current appropriations."

The Advisory Committee is cognizant of the recommendations of the Board of Auditors that a final date for availability be established, and these regulations meet that point. On the other hand, "legal obligations" (regulation 4.3) will have to be defined, and that definition may, in due course, result in the inclusion of some items which would not have been allowable under the present United Nations provision that only those obligations for goods supplied or services rendered by the end of the year are valid for the retention of appropriations relating to that year. The report of the Consultative Committee on these particular provisions of the proposed regulations reads:

"Availability of appropriations for payment of obligations"

In respect of the regulations relating to the availability of appropriations for payment of obligations (regulation 4.3), the representative of UNESCO wished to record his doubts as to the adequacy of the twelve-month retention period to meet the requirements of the organizations. Further, the representative of WHO expressed the view that no such limitation was necessary, as adequate safeguards were provided, mainly through the external audit, against the misuse of this authority. On the other hand, since ILO, FAO and ICAO regulations now provide more rigid cut-off dates, and similar regulations have been recommended by the External Auditors to the United Nations, it was generally agreed that a twelve-month limit was practicable in a large proportion of the cases; and that special legislative exceptions for certain

types of programmes such as fellowships or special methods of financing could meet the problems anticipated by UNESCO.

It was also agreed that a common definition of 'legal obligations' should be worked out and the opinion of the Auditors sought on this point."

5. It should also be noted that the Consultative Committee agreed that the regulations relating to surrender of savings on appropriations should provide that such savings be credited to Members' contributions. This agreement was, however, subject to the following reservation set out in the report of the Consultative Committee.

"Budgetary savings

The Committee agreed that although it might be a desirable aim to credit all savings in appropriations as reductions in Members' contributions, such practice was sound only when

(i) contributions by Member States were paid promptly and in full,  
and

(ii) the working capital fund was established in an adequate amount.

The Committee agreed that where those two factors did not obtain, it would be unwise for an organization experiencing financial difficulties to distribute purely paper surplus while an effective deficit resulting from arrears in contributions existed.

It was further agreed that the text of this regulation would contain the principle of the distribution of savings on appropriations as a reduction in contributions, but that it would be made clear that this particular provision could be temporarily suspended to meet the requirements of each agency. The alternative methods would be:

(a) To credit to Members the savings of appropriations to the extent those savings are represented by actual cash surpluses;

(b) To transfer the savings in appropriations represented by cash and/or arrears receivable, to a suspense account for special disposition upon instruction by the Conference or Assembly."

ANNEX A

FINANCIAL REGULATIONS FOR THE UNITED NATIONS

ARTICLE I - APPLICABILITY

- 1.1 These regulations shall govern the financial administration of the United Nations, including the International Court of Justice.

ARTICLE II - THE FINANCIAL YEAR

- 2.1 The financial year shall be the period 1 January through 31 December.

ARTICLE III - THE BUDGET

- 3.1 The annual budget estimates shall be prepared by the Secretary-General.
- 3.2 The estimates shall cover income and expenditures for the financial year to which they relate, and shall be presented in US dollars.
- 3.3 The annual budget estimates shall be divided into Parts, Sections, Chapters, and Articles, and shall be accompanied by such information annexes and explanatory statements as may be requested on behalf of the General Assembly, and such further annexes or statements as the Secretary-General may deem necessary and useful.
- 3.4 The Secretary-General shall submit to the regular session of the General Assembly budget estimates for the following financial year. The estimates shall be transmitted to all Member States at least five weeks prior to the opening of the regular session of the General Assembly.
- 3.5 The Secretary-General shall, at least twelve weeks prior to the opening of the regular session of the General Assembly, submit the estimates to the Advisory Committee on Administrative and Budgetary Questions (hereinafter referred to as the "Advisory Committee") for examination.
- 3.6 The Advisory Committee shall prepare a report to the General Assembly on the estimates submitted by the Secretary-General. This report shall be transmitted to all Member States at the same time as the estimates.
- 3.7 The budget for the following financial year shall be adopted by the General Assembly after consideration and report on the estimates by the Administrative and Budgetary Committee of the Assembly.
- 3.8 Supplementary estimates may be submitted by the Secretary-General when and as he may deem 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

the General Assembly and to the Advisory Committee. The Advisory Committee shall review such estimates and report thereon to the General Assembly.

#### ARTICLE IV - APPROPRIATIONS

- 4.1 The appropriations voted by the General Assembly shall constitute an authorization to the Secretary-General to incur obligations and make payments for the purposes for which the appropriations were voted and up to the amounts so voted.
- 4.2 Appropriations shall be available for obligation during the financial year to which they relate.
- 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 meet the outstanding legal obligations as at 31 December of that year. The balance of the appropriations will be surrendered.
- 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 surrendered. Any unliquidated prior year obligations shall at that time be cancelled, or where the obligation remains a valid charge, transferred as an obligation against current appropriations.
- 4.5 Transfers within the total amount appropriated may be made to the extent permitted by the terms of the budget resolution adopted by the General Assembly.

#### ARTICLE V - PROVISION OF FUNDS

- 5.1 The appropriations, subject to the adjustments effected in accordance with the provisions of Regulation 5.2, shall be financed by contributions from Member States, according to the scale of assessments determined by the General Assembly. Pending the receipt of such contributions, the appropriations may be financed from the Working Capital Fund.
- 5.2 In the assessment of the contributions of Member States, adjustments shall be made to the amount of the appropriations approved by the General Assembly for the following financial year in respect of:
  - a. Supplementary appropriations for which contributions have not previously been assessed on the Members;
  - b. Miscellaneous income for which credits have not previously been taken into account, and any adjustments in estimated miscellaneous

/income

- income previously taken into account;
- c. Contributions resulting from the assessment of new Members under the provisions of Regulation 5.8;
  - d. Any balance of the appropriations surrendered under Regulations 4.3 and 4.4.
- 5.3 After the General Assembly has voted the appropriations and determined the amount of the Working Capital Fund, the Secretary-General shall:
- a. Transmit the relevant documents to Member States;
  - b. Inform Members of their commitments in respect of annual contributions and advances to the Working Capital Fund;
  - c. Request them to remit their contributions and advances.
- 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.
- 5.5 Annual contributions and advances to the Working Capital Fund shall be assessed and paid in US dollars.
- 5.6 Payments made by a Member State shall be credited first to the Working Capital Fund and then to the contributions due in the order in which the Member was assessed.
- 5.7 The Secretary-General shall submit to the regular session of the General Assembly a report on the collection of contributions and advances to the Working Capital Fund.
- 5.8 New Members shall be required to make a contribution for the year in which they become Members and an advance to the Working Capital Fund at rates to be determined by the General Assembly.
- 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 There shall be established a General Fund for the purpose of accounting for  
/the expenditures

the expenditures of the Organization. The contributions paid by Member States under Regulation 5.1, miscellaneous income, and any advances made from the Working Capital Fund to finance general expenditures shall be credited to the General Fund.

- 6.2 There shall be established a Working Capital 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 in accordance with the scale of assessments as determined by the General Assembly.
- 6.3 Advances made by Member States to the Working Capital Fund shall be carried to the credit of the Members which have made such advances.
- 6.4 Advances made from the Working Capital Fund to finance budgetary appropriations during a financial year shall be reimbursed to the Fund as soon as and to the extent that income is available for that purpose.
- 6.5 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, except when such advances are recoverable from some other source.
- 6.6 Income derived from investments of the Working Capital Fund shall be credited to miscellaneous income.
- 6.7 Trust, Reserve and Special Funds may be established by the Secretary-General.
- 6.8 The purpose and limits of each Trust, Reserve and Special Fund shall be clearly defined by the appropriate authority. Unless otherwise provided by the General Assembly, such Funds shall be administered in accordance with these Regulations.

#### ARTICLE VII - OTHER INCOME

- 7.1 All income, other than:
  - a. contributions to the budget;
  - b. refunds of direct expenditures made during the financial year;  
and
  - c. advances or deposits to Fundsshall be classed as miscellaneous income, for credit to the General Fund.
- 7.2 Voluntary contributions may be accepted by the Secretary-General provided that the purposes for which the contribution is made are consistent with

/the policies,

the policies, aims and activities of the Organization and provided that the acceptance of such contributions which directly or indirectly involve additional financial liability for the Organization shall require the consent of the appropriate authority.

- 7.3 Monies accepted for purposes specified by the donor shall be treated as Trust or Special Funds under Regulations 6.7 and 6.8.
- 7.4 Monies accepted in respect of which no purpose is specified shall be treated as miscellaneous income and reported as "gifts" in the annual accounts.

#### ARTICLE VIII - CUSTODY OF FUNDS

- 8.1 The Secretary-General shall designate the bank or banks in which the funds of the Organization shall be kept.

#### ARTICLE IX - INVESTMENT OF FUNDS

- 9.1 The Secretary-General may make short-term investments of monies not needed for immediate requirements and shall inform the Advisory Committee periodically of such investments which he has made.
- 9.2 The Secretary-General may make long-term investments of monies standing to the credit of Trust, Reserve, or Special Funds as may be provided by the appropriate authority in respect of each such Fund.
- 9.3 Income derived from investments shall be credited as provided in the rules relating to each Fund.

#### ARTICLE X - INTERNAL CONTROL

- 10.1 The Secretary-General 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 payment has not previously been made;
  - c. Designate the officers who may receive monies, incur obligations and make payments on behalf of the Organization;
  - d. Maintain an internal financial control which shall provide for an effective current examination and/or review of financial transactions in order to ensure:

/(i) the regularity



- (i) the regularity of the receipt, custody and disposal of all funds and other financial resources of the Organization;
  - (ii) the conformity of obligations and expenditures with the appropriations or other financial provision voted by the General Assembly, or with the purposes and rules relating to Trust and Other Special Funds;
  - (iii) the economic use of the resources of the Organization.
- 10.2 No obligations shall be incurred until allotments or other appropriate authorizations have been made in writing under the authority of the Secretary-General.
- 10.3 The Secretary-General may make such ex gratia payments as he deems to be necessary in the interests of the Organization, provided that a statement of such payments shall be submitted to the General Assembly with the annual accounts.
- 10.4 The Secretary-General 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.
- 10.5 Tenders for equipment, supplies, and other requirements shall be invited by advertisement, except where the Secretary-General deems that, in the interests of the Organization, a departure from the rule is desirable.

#### ARTICLE XI - THE ACCOUNTS

11.1 The Secretary-General shall maintain such accounts as are necessary and shall submit annual accounts showing for the financial year to which they relate:

- 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 voted by the General Assembly;
  - (iv) the amounts charged against those appropriations and/or other credits.
- c. the assets and liabilities of the Organization.

He shall also give such other information as may be appropriate to indicate  
/the current

the current financial position of the Organization.

- 11.2 The accounts of the Organization shall be presented in US dollars. The accounts may be kept in such currency or currencies as the Secretary-General may deem necessary.
- 11.3 Appropriate separate accounts shall be maintained for all Trust and other Special Funds.
- 11.4 The annual accounts shall be submitted by the Secretary-General to the Board of Auditors by 31 March following the end of the financial year.

#### ARTICLE XII - EXTERNAL AUDIT

- 12.1 A Board of Auditors, each of whom shall be the Auditor-General (or officer holding equivalent title) of a Member Government, shall be appointed by the General Assembly in the manner decided by the Assembly and having regard to the joint system for external audit of the United Nations and specialized agencies. Auditors appointed may be removed only by the Assembly.
- 12.2 Having regard to the budgetary provisions for the audit, and after consultation with the Advisory Committee relative to the scope of the audit, the Board of Auditors shall perform such an audit as they deem necessary to certify:
  - 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 monies on deposit and on hand have been verified by certificate received direct from the Organization's depositories or by actual count.
- 12.3 Subject to the directions of the General Assembly, the Auditors shall be the sole judge as to the acceptance in whole or in part of the certifications by the Secretariat and may proceed to such detailed examination and verifications as it chooses of all financial records, including those relating to supplies and equipment. The Auditors may engage commercial auditors of international repute.
- 12.4 The Auditors may affirm by test the reliability of the internal audit and may make such reports with respect thereto as they may deem necessary to

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the General Assembly, to the Advisory Committee or to the Secretary-General.

- 12.5 The Auditors and their staff shall have free access at all convenient times to all books of account and records which are, in the opinion of the Auditors, necessary for the performance of the audit. Information classified in the records of the Secretariat as confidential, and which is required for the purposes of the audit, shall be made available on application to the Assistant Secretary-General for Administrative and Financial Services.
- 12.6 The Auditors, in addition to certifying the accounts, may make such observations as they deem necessary with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls, and, in general, the financial consequences of administrative practices. In no case, however, shall the Auditors include criticism in their audit report without first affording the Secretariat an opportunity of explanation to the Auditors of the matter under observation. Audit objections to any item in the accounts shall be immediately communicated to the Assistant Secretary-General for Administrative and Financial Services.
- 12.7 The 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 they entertain doubt as to legality or propriety.
- 12.8 The Auditors shall prepare a report on the accounts certified and on any matters on which the General Assembly by resolution thereof may from time to time give specific instructions.
- 12.9 The Auditors shall submit their report to the General Assembly to be available to the Advisory Committee not later than 1 June following the end of the financial year to which the accounts relate. The Advisory Committee shall forward to the General Assembly its comments, if any, on the audit report. A member of the Board of Auditors shall be present when the audit report is considered by the Assembly.

ARTICLE XIII - RESOLUTIONS INVOLVING EXPENDITURES

- 13.1 No Council, Commission or other competent body shall take a decision

/involving

involving expenditure unless it has before it a report from the Secretary-General on the administrative and financial implications of the proposal.

- 13.2 Where, in the opinion of the Secretary-General, the proposed expenditure cannot be made from the existing appropriations, it shall not be incurred until the General Assembly has made the necessary appropriations, unless the Secretary-General certifies that provision can be made under the conditions of the resolution of the General Assembly relating to unforeseen and extraordinary expenses.

ARTICLE XIV - DELEGATION OF AUTHORITY

- 14.1 The Secretary-General may delegate to other officers of the Organization such of his powers as he considers necessary for the effective implementation of these regulations.

ARTICLE XV - GENERAL PROVISIONS,

- 15.1 These Regulations shall be effective as of the date of their approval by the General Assembly, and may be amended only by the General Assembly.
- 15.2 In case of doubt as to the interpretation and application of any of the foregoing Regulations, the Secretary-General is authorized to rule thereon.

ARTICLE XVI - SPECIAL PROVISIONS

- 16.1 The estimates of the International Court of Justice shall be prepared by the Court, 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.

## PROPOSED REGULATIONS

## PRESENT REGULATIONS

## COMMENTS

As approved by the Administrative Committee on Co-ordination

Resolution 163 II adopted by the General Assembly 20 November 1947

Article I - Applicability

1.1 These regulations shall govern the financial administration of the United Nations, including the International Court of Justice

2. These regulations shall govern the financial administration of the United Nations, including the International Court of Justice.

No change

Article II - The Financial Year

2.1 The financial year shall be the period 1 January through 31 December.

4. The financial year shall be the calendar year, 1 January to 31 December.

Drafting change only.

Article III - The Budget

3.1 The annual budget estimates shall be prepared by the Secretary-General.

New regulation - The concept that the estimates are those of the Secretary-General is clear in the United Nations, but not in some of the agencies.

3.2 The estimates shall cover income and expenditures for the financial year to which they relate, and shall be presented in US dollars.

New regulation - Stipulates the currency of the budget. Coverage of the budget desirable (income and expenditures) because of (i) shortening of present regulation 6 and (ii) present regulations of several agencies.

3.3 The annual budget estimates shall be divided into Parts, Sections, Chapters, and Articles, and shall be accompanied by such information annexes and explanatory statements as may be requested on behalf of the General Assembly, and such further annexes or statements as the Secretary-General may deem necessary and useful.

6. The estimates submitted to the General Assembly shall be divided into parts, sections and chapters, and shall be accompanied by:  
(a) A detailed statement of the estimated expenditure provided for under each chapter and each item of a chapter;  
(b) A statement of the estimated miscellaneous or other income under appropriate headings;  
(c) An explanatory statement with regard to the expenditures proposed in connection with any new activity or any extension of an existing activity;

The detailed outline of the budget has been abbreviated to give more flexibility. There is no intention to change, because of this alteration in the regulation, the format or coverage of the United Nations budget.

/(d) A statement of

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(d) A statement of the estimated expenditure of the current financial year, and the expenditures of the last completed financial year.  
(e) An information annex containing the budgets or proposed budgets of the specialized agencies, or such summaries thereof as the Secretary-General may deem appropriate and useful.

3.4 The Secretary-General shall submit to the regular session of the General Assembly budget estimates for the following financial year. The estimates shall be transmitted to all Member States at least five weeks prior to the opening of the regular session of the General Assembly.

5. The Secretary-General shall submit to the regular annual session of the General Assembly estimates for the following financial year...

7. ... The estimates, together with the Committee's report, shall be transmitted to all Members at least five weeks prior to the opening of the regular annual session of the General Assembly.

3.5 The Secretary-General shall, at least twelve weeks prior to the opening of the regular session of the General Assembly, submit the estimates to the Advisory Committee on Administrative and Budgetary Questions (hereinafter referred to as the "Advisory Committee") for examination.

7. The estimates shall be submitted to the Advisory Committee on Administrative and Budgetary Questions (hereinafter referred to as the "Advisory Committee") at least twelve weeks prior to the opening of the annual session of the General Assembly...

3.6 The Advisory Committee shall prepare a report to the General Assembly on the estimates submitted by the Secretary-General. This report shall be transmitted to all Member States at the same time as the estimates.

7. ... They (the estimates) shall be examined by the Advisory Committee, which shall prepare a report thereon ...

3.7 The budget for the following financial year shall be adopted by the General Assembly after consideration and report on the estimates by the Administrative and Budgetary Committee of the Assembly.

9. The estimates and the reports of the Advisory Committee thereon shall be submitted to the General Assembly and referred to the Administrative and Budgetary Committee of the General Assembly for consideration and report to the Assembly.

Drafting changes only. The provision that the Advisory Committee report is to go to members with the estimates is covered under proposed regulation 3.6.

Drafting changes only.

Drafting changes. "Examination" is covered in proposed regulation 3.5.

The fact that the estimates and the report are submitted to the General Assembly are covered by proposed regulation 3.4 and 3.6.

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3.8 Supplementary estimates may be submitted by the Secretary-General when and as he may deem 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.

Article IV - Appropriations

4.1 The appropriations voted by the General Assembly shall constitute an authorization to the Secretary-General to incur obligations and make payments for the purposes for which the appropriations were voted and up to the amounts so voted.

4.2 Appropriations shall be available for obligation during the financial year to which they relate.

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 meet the outstanding legal obligations as at 31 December of that year. The balance of the appropriations will be surrendered.

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5. ... He (the Secretary-General) may also submit such supplementary estimates as may be deemed necessary for the current financial year.

6. Supplementary estimates shall be submitted to the Advisory Committee for examination and report.

11. The adoption of the budget shall constitute an authorization to the Secretary-General to incur obligations and make expenditures for the purposes for which appropriations have been voted and up to the amounts so voted...

11. ... The appropriations shall be available for obligations in respect of goods supplied and services rendered in the financial year to which the appropriations relate...

13. Appropriations shall remain available to the extent that they are required to meet the outstanding obligations as at 31 December represented by goods supplied and services rendered up to and including that date.

COMMENTS

Since, technically, estimates supplementary to the budget document for the following financial year have become known as "supplementary" as well as those for the current year, the proposed regulation has broadened the authority for submission of supplementary estimates.

The proposed regulation is a bit more detailed.

Drafting changes.

See covering report. In essence, the change would mean that the present "goods supplied and services rendered" restriction would be replaced by a time restriction.

/4.4 At the end

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COMMENTS

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 surrendered. Any unliquidated prior year obligations shall at that time be cancelled, or where the obligation remains a valid charge transferred as an obligation against current appropriations.

14. The balance of appropriations shall be surrendered in accordance with the provisions of regulation 17. Outstanding obligations not presented by goods supplied or services rendered up to and including 31 December shall be a charge to the appropriations of the succeeding year.

4.5 Transfers within the total amount appropriated may be made to the extent permitted by the terms of the budget resolution adopted by the General Assembly.

12. Transfers by the Secretary-General within the total amount appropriated under the estimates may be made to the extent permitted by the terms of the budget resolution adopted by the General Assembly.

Drafting changes. In some agencies, the Executive Boards, etc., have some executive responsibility for transfers.

Article V - Provision of Funds

5.1 The appropriations, subject to the adjustments effected in accordance with the provisions of Regulation 5.2, shall be financed by contributions from Member States, according to the scale of assessments determined by the General Assembly. Pending the receipt of such contributions, the appropriations may be financed from the Working Capital Fund.

15. The appropriations, subject to the adjustments to be effected in accordance with the provisions of regulation 17 shall be financed by contributions from Members according to the scale of assessments determined by the General Assembly. Pending the receipt of such contributions, the appropriations may be financed from the Working Capital Fund.

No change except number of regulation referred to.

5.2 In the assessment of the contributions of Member States, adjustments shall be made to the amount of the appropriations approved by the General Assembly for the following financial year in respect of:

17. In the assessment of the contributions of Members, there shall be adjustments to the amount of the appropriations approved by the General Assembly for the following financial year in respect of:

a. Supplementary appropriations for which contributions have not previously been assessed on the Members;

(a) Supplementary appropriations for which contributions have not previously been assessed on the Members;

There is no basic change, (b) and (c) of present regulation 17 have been combined, and the requirement that "estimated" miscellaneous income be credited has been deleted for reasons of flexibility. United Nations will continue to adjust the appropriations for estimated income; and it would appear that as more agencies accept a staff assessment plan, their practices would have to be changed in the same way.



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- b. Miscellaneous income for which credits have not previously been taken into account, and any adjustments in estimated miscellaneous income previously taken into account;
- c. Contributions resulting from the assessment of new Members under the provisions of Regulation 5.8;
- d. Any balance of the appropriations surrendered under Regulations 4.3 and 4.4.

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- (b) Estimated miscellaneous income for the financial year to which the appropriations relate;
- (c) Miscellaneous income of former years for which credit has not previously been taken into account, and deficiencies in estimated income which was previously taken into account;
- (d) Contributions resulting from the admission of new Members under the provisions of regulation 19;
- (e) Any balance of the appropriations of the last completed financial year surrendered under regulation 14.

5.3 After the General Assembly has voted 18. the appropriations and determined the amount of the Working Capital Fund, the Secretary-General shall:

- a. Transmit the relevant documents to Member States;
- b. Inform Members of their commitments in respect of annual contributions and advances to the Working Capital Fund;
- c. Request them to remit their contributions and advances.

Drafting changes.

After the General Assembly has adopted the budget and determined the amount of the Working Capital Fund and its sub-divisions, the Secretary-General shall:

- (a) Transmit all relevant documents to Members;
- (b) Inform Members of their commitments in respect of annual contributions and advances to the Working Capital Fund;
- (c) Request them to remit their contributions and any advances to the Working Capital Fund.

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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.

5.5 Annual contributions and advances to the Working Capital Fund shall be assessed and paid in US dollars.

5.6 Payments made by a Member State shall be credited first to the Working Capital Fund and then to the contributions due in the order in which the Member was assessed.

5.7 The Secretary-General shall submit to the regular session of the General Assembly a report on the collection of contributions and advances to the Working Capital Fund.

5.8 New Members shall be required to make a contribution for the year in which they become Members, and an advance to the Working Capital Fund, at rates to be determined by the General Assembly.

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.

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New regulation. Several agencies have a regulation of this type and wish to maintain the provision.

20. Annual contributions and advances to the Working Capital Fund shall be assessed and paid in the currency of the State in which the United Nations has its Headquarters.

21. Payments made by a Member shall be applied first as a credit to the Working Capital Fund and then to the contributions due in the order in which the Member was assessed.

New regulation. There is, in some cases, apparently a hesitation on the part of the Secretariats to publicize this information without direct instructions.

Drafting change.

22. States which are not Members of the United Nations but which become parties to the Statute of the International Court of Justice shall contribute to the expenses of the Court in amounts as may be determined by the General Assembly. Such amounts shall be taken into account as miscellaneous income.

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Article VI - Funds

6.1 There shall be established a General Fund for the purpose of accounting for the expenditures of the Organization. The contributions paid by Member States under Regulation 5.1, miscellaneous income, and any advances made from the Working Capital Fund to finance general expenditures shall be credited to the General Fund.

6.2 There shall be established a Working Capital 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 advanced from Member States in accordance with the scale of assessments as determined by the General Assembly.

6.3 Advances made by Member States to the Working Capital Fund shall be carried to the credit of the Members which have made such advances.

6.4 Advances made from the Working Capital Fund to finance budgetary appropriations during a financial year shall be reimbursed to the Fund as soon as and to the extent that income is available for that purpose.

6.5 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, except when such advances are recoverable from some other source.

PRESENT REGULATIONS

COMMENTS

The concept of the General Fund is spelled out in the regulations of several agencies. It would not cause any major change in United Nations' present practices as our General Accounts would comprise this fund.

16. The General Assembly shall determine the amount of the Working Capital Fund and any sub-divisions thereof. The term "sub-divisions" has never seemed to express what was meant - "purposes" seems to be more appropriate. The source of monies of the Fund appeared to be a useful addition since much of the authority and concept of the Working Capital Fund has been contained in scattered considerations.

New regulations. These additions are made to place in the regulations, some of the present practices relative to the Fund which were considered to be of regulatory stature.

/6.6 Income derived from

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COMMENTS

6.6 Income derived from investments of the Working Capital Fund shall be credited to miscellaneous income.

37. Income from investments of the Working Capital Fund shall be accounted for as miscellaneous income.

Drafting change only.

6.7 Trust, Reserve and Special Funds may be established by the Secretary-General.

35. ... The purpose and limits of each trust or other special fund established shall be clearly defined by the appropriate authority.

The proposed regulations amplify the present provisions relating to trust and special funds. As regards the authority to establish funds, ample safeguards against any misuse of the authority is provided in proposed regulations 1.3 regarding separate accounts and 6.8 providing that these regulations (including those relating to audit) will govern such funds.

6.8 The purpose and limits of each Trust, Reserve and Special Fund shall be clearly defined by the appropriate authority. Unless otherwise provided by the General Assembly, such Funds shall be administered in accordance with these Regulations.

Article VII - Other Income

7.1 All income, other than:

- a. contributions to the budget;
- b. refunds of direct expenditures made during the financial year; and
- c. advances or deposits to Funds

shall be classed as miscellaneous income, for credit to the General Fund.

7.2 Voluntary contributions may be accepted by the Secretary-General provided that the purposes for which the contribution is made are consistent with the policies, aims and activities of the Organization and provided that the acceptance of such contributions which directly or indirectly involve additional financial

New regulations. Proposed regulation 7.1 is intended to define the concept of miscellaneous income. The other three, 7.2, 7.3 and 7.4 are included to provide the authority to accept gifts and the conditions and controls relating to such acceptance. Several agencies have similar regulations and it is considered that they are of general value.

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liability for the Organization shall require the consent of the appropriate authority.

7.3 Monies accepted for purposes specified by the donor shall be treated as Trust or Special Funds under Regulations 6.7 and 6.8.

7.4 Monies accepted in respect of which no purpose is specified shall be treated as miscellaneous income and reported as "gifts" in the annual accounts.

Article VIII - Custody of Funds

8.1 The Secretary-General shall designate the bank or banks in which the funds of the Organization shall be kept.

23. The Secretary-General shall designate the bank or banks in which the funds of the Organization shall be kept.

No change.

Article IX - Investment of Funds

9.1 The Secretary-General may make short-term investments of monies not needed for immediate requirements and shall inform the Advisory Committee periodically of such investments which he has made.

36. The Secretary-General may make short-term investments of monies which are not needed for immediate requirements and shall inform the Advisory Committee periodically of the investments which he has made. Notwithstanding these provisions, the Secretary-General may make long-term investments on account of the Joint Staff Pension Scheme on the advice of the Investments Committee, established under the Provisional Regulations for the United Nations Joint Pension Staff Scheme, and in respect of the Library Endowment and other special funds.

No change in substance. Regulation 9.3 is new and is required to give direction for the crediting of interest income.

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

9.3 Income derived from investments shall be credited as provided in the rules relating to each Fund.

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Article X - Internal Control

10.1 The Secretary-General 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 payment has not previously been made;
- c. Designate the officers who may receive monies; incur obligations and make payments on behalf of the Organization;
- d. Maintain an internal financial control which shall provide for an effective current examination and/or review of financial transactions in order to ensure:
  - (i) the regularity of the receipt, custody and disposal of all funds and other financial resources of the Organization;
  - (ii) the conformity of obligations and expenditures with the appropriations or other financial provision voted by the General Assembly, or with the purposes and rules

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24. The Secretary-General shall:

- (a) Establish detailed financial rules and procedures in order to ensure effective financial administration and the exercise of economy;
- (b) Cause an accurate record to be kept of all capital acquisitions and all supplies purchased and used;
- (c) Render to the Auditors with the accounts a statement as at 31 December of the financial year concerned, showing the supplies in hand and the assets and liabilities of the Organization together with a statement of losses of cash, stores and other assets written off under regulation 27;
- (d) Cause all payments to be made on the basis of supporting vouchers and other documents which ensure that the services or commodities have been received and that payment has not previously been made;
- (e) Designate the officials who may receive monies, incur obligations and make payments on behalf of the United Nations;

COMMENTS

There has been some changes in this regulation. Proposed paragraph d (ii), covering present paragraph f (ii) has been entered to cover trust and special funds. It is considered that present paragraph b is covered by the general provisions of proposed regulation 11.1, as is the first portion of present paragraph c. The latter portion of paragraph c is covered in proposed regulation 10.4.

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relating to Trust and  
Other Special Funds;

- (iii) the economic use of  
the resources of the  
Organization.

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- (f) Maintain an internal  
financial control which  
shall provide for an  
effective current examina-  
tion or review of finan-  
cial transactions in order;

- (i) To ensure the regu-  
larity of the receipt;  
disposal and custody  
of all funds and  
other financial  
resources of the  
Organization;

- (ii) To ensure the con-  
formity of all  
expenditures with the  
appropriations or  
other financial pro-  
vision voted by the  
General Assembly;

- (iii) To obviate any un-  
economic use of the  
resources of the  
Organization.

- 10.2 No obligation shall be incurred until 11.  
allotments or other appropriate  
authorizations have been made in  
writing under the authority of the  
Secretary-General.

... The Secretary-General shall  
make allotments in writing from  
the appropriations as voted by the  
General Assembly and under such  
further sub-headings as may appear  
appropriate and necessary, before  
obligations are incurred there-  
under.

No change in substance. It was  
considered that the major importance of  
the regulation was to provide that no  
obligations could be incurred without  
allotments, ensuring central control.  
"Or other authorizations" has been  
included to cover authorizations of  
unforeseen, extraordinary nature.

- 10.3 The Secretary-General may make such  
ex gratia payments as he deems to be  
necessary in the interests of the  
Organization, provided that a state-  
ment of such payments shall be sub-  
mitted to the General Assembly with  
the annual accounts.

The Secretary-General may make  
such ex gratia payments as he deems  
to be necessary in the interests  
of the United Nations, provided  
that a statement of such payments  
shall be submitted to the General  
Assembly with the annual accounts.

Drafting change only.

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10.4 The Secretary-General 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.

10.5 Tenders for equipment, supplies, and other requirements shall be invited by advertisement, except where the Secretary-General deems that, in the interests of the Organization, a departure from the rule is desirable.

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27. The Secretary-General may, after full investigation, authorize the writing off of losses of cash, stores and other assets, subject to the requirements of regulation 24 (c).

28. Tenders for equipment, supplies and other requirements shall be invited by advertisement, except where the Secretary-General deems that, in the interest of the United Nations, a departure from the rule is desirable.

COMMENTS

This proposed regulation covers the present provisions in regulations 24 (c) and 27.

Drafting change only.

Article XI - The Accounts

11.) The Secretary-General shall maintain such accounts as are necessary and shall submit annual accounts showing for the financial year to which they relate:

- 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 voted by the General Assembly;
  - (iv) the amounts charged against those appropriations and/or other credits.

32. The accounts shall consist of:

- (a) Budget accounts showing:
  - (i) Original appropriations;
  - (ii) Appropriations after modification by any transfers, carried out in accordance with the provisions of regulation 12;
  - (iii) Credits, if any, other than appropriations made available by the General Assembly;
  - (iv) Allotments made;
  - (v) Obligations incurred;
  - (vi) Expenditures.

This proposed regulation is not intended to conflict with the present provisions or practices but rather to give a more flexible directive with regard to the accounts. Such a regulation gives the necessary instruction without restricting the eventual recommendations and counsel of the Joint Panel of Auditors.



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- c. the assets and liabilities of the Organization.

He shall also give such other information as may be appropriate to indicate the current financial position of the Organization.

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- (b) A cash account showing all cash receipts and actual disbursements made;
- (c) Separate accounts for the Working Capital Fund, its sub-funds, and any other fund which may be established;
- (d) Property records showing:
- (i) Capital acquisitions and disposals;
- (ii) Equipment and supplies purchased, used and on hand;
- (e) Such records as will provide for a statement of assets and liabilities for each fund at 31 December of each financial year.

11.2 The accounts of the Organization shall be presented in US dollars. The accounts may be kept in such currency or currencies as the Secretary-General may deem necessary.

29. The accounts of the Organization shall be kept in the currency of the State in which the United Nations has its headquarters, provided however that the local accounts of branch offices may be maintained in the currency of the country in which they are situated.

It was considered that the important item is the presentation of the accounts. The currency of maintenance of accounts is a more internal matter.

11.3 Appropriate separate accounts shall be maintained for all Trust and other special Funds.

35. Appropriate separate accounts shall be maintained for trust funds and other special funds for the purpose of accounting for unclaimed monies, monies received and held in suspense, and for projects where the transactions involve a cycle of operations....

It was thought that special accounts set up for unclaimed monies, etc., are matters of routine accounting. The provision relating to trust and special funds is maintained.

11.4 The annual accounts shall be submitted by the Secretary-General to the Board of Auditors by 31 March following the end of the financial year.

33. The accounts shall be submitted by the Secretary-General to the Board of Auditors by 31 March following the end of the financial year.

Drafting change only.

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Article XII - External Audit

12.1 A Board of three Auditors, each of whom shall be the Auditor-General (or officer holding equivalent title) of a Member Government, shall be appointed by the General Assembly, in the manner decided by the Assembly and having regard to the joint system for external audit of the United Nations and specialized agencies. Auditors appointed may be removed only by the Assembly.

12.2 Having regard to the budgetary provisions for the audit, and after consultation with the Advisory Committee on Administrative and Budgetary Questions relative to the scope of the audit, the Board of Auditors shall perform such an audit as they deem necessary to certify:

- 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 monies on deposit and on hand have been verified by certificate received direct from the Organization's depositories or by actual count.

12.3 Subject to the directions of the General Assembly, the Auditors shall be the sole judge as to the acceptance in whole or in part of the certifications by the Secretariat

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34. A board of three auditors, each of whom shall be the Auditor-General (or officer holding equivalent title) of a Member Government, shall be appointed by the General Assembly as External Auditors of the accounts of the United Nations and of such specialized agencies as shall have agreed thereto. The appointments shall be made in the following manner, and subject to the following provisions:

- (a) In 1947, and every year thereafter, the General Assembly at its regular session shall appoint an auditor to take office from 1 July of the following year and to serve for a period of three years;
- (b) The auditors in office shall constitute the Board of Auditors, which shall select its own Chairman and adopt its own rules of procedure.

(c) The Board, subject to the budgetary provision made by the General Assembly for the cost of audit, and after consultation with the Advisory Committee on Administrative and Budgetary Questions relative to the scope of the audit, may conduct the audit, subject to the provisions of this regulation, in such manner as it thinks fit and may engage commercial public

COMMENTS

The present provisions have been generally redrafted. The more or less procedural material regarding elections has been cut to a minimum as they are covered in resolution 78 (I). On the other hand, much of the resolution 347 (IV) covering the common audit principles has been brought in.

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and may proceed to such detailed examination and verifications as it chooses of all financial records, including those relating to supplies and equipment. The Auditors may engage commercial auditors of international repute.

12.4 The Auditors may affirm by test the reliability of the internal audit, and may make such reports with respect thereto, as they may deem necessary, to the General Assembly, to the Advisory Committee or to the Secretary-General.

12.5 The Auditors and their staff shall have free access at all convenient times to all books of account and records which are, in the opinion of the Auditors, necessary for the performance of the audit. Information classified in the records of the Secretariat as confidential, and which is required for the purposes of the audit, shall be made available on application to the Assistant Secretary-General for Administrative and Financial Services.

12.6 The Auditors, in addition to certifying the accounts, may make such observations as they deem necessary with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls, and, in general, the financial consequences of administrative practices. In no case, however, shall the Auditors include criticism in their audit report without first affording the Secretariat an opportunity of explanation to

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auditors of international repute:

(d) If any member of the Board ceases to hold the national office described in the opening paragraph of this regulation, he shall be replaced by his successor in the national office described;

(e) The Board of Auditors shall submit its report, together with the certified accounts and such other statements as it thinks necessary, to the General Assembly, to be available to the Advisory Committee on Administrative and Budgetary Questions not later than 1 June following the end of the financial year to which the accounts relate. The Advisory Committee shall forward to the General Assembly its comments, if any, on the audit report;

(f) The audit shall be carried out by the Board of Auditors subject to the requirements of the General Assembly as established by resolution thereof.

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the Auditors of the matter under observation. Audit objections to any item in the accounts shall be immediately communicated to the Assistant Secretary-General for Administrative and Financial Services.

12.7 The 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 they entertain doubt as to legality or propriety.

12.8 The Auditors shall prepare a report on the accounts certified, and on any matters on which the General Assembly by resolution thereof may from time to time give specific instructions.

12.9 The Auditors shall submit their report to the General Assembly to be available to the Advisory Committee not later than 1 June following the end of the financial year to which the accounts relate. The Advisory Committee shall forward to the General Assembly its comments, if any, on the audit report. A member of the Board of Auditors shall be present when the audit report is considered by the Assembly.

Article XIII - Resolutions Involving Expenditures

13.1 No Council, Commission or other competent body shall take a decision involving expenditure unless it has before it a report from the Secretary-General on the administrative and financial implications of the proposal.

36. No resolution involving expenditure from the United Nations funds shall be approved by a Council unless the Council has before it a report from the Secretary-General on the financial implications of the proposals and an estimate of the costs involved in the specific proposal.

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COMMENTS

No change in substance except that provision is made that the report of the Secretary-General will also give administrative implications. This is included to cover possibility of deferring action on a previous less urgent resolution in order to provide for the new action contemplated.

/13.2 Where.

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13.2 Where, in the opinion of the Secretary-General, the proposed expenditure cannot be made from the existing appropriations, it shall not be incurred until the General Assembly has made the necessary appropriations, unless the Secretary-General certifies that provision can be made under the conditions of the resolution of the General Assembly relating to unforeseen and extraordinary expenses.

Article XIV - Delegation of Authority

14.1 The Secretary-General may delegate to other officers of the Organization such of his powers as he considers necessary for the effective implementation of these regulations.

Article XV - General Provisions

15.1 These Regulations shall be effective as of the date of their approval by the General Assembly, and may be amended only by the General Assembly.

15.2 In case of doubt as to the interpretation and application of any of the foregoing regulations, the Secretary-General is authorized to rule thereon.

Article XVI - Special Provisions

16.1 The estimates of the International Court of Justice, and of the Permanent Central 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

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Where, in the opinion of the Secretary-General, the proposed expenditure cannot be made from the existing appropriations, it shall not be incurred until the General Assembly has made the necessary appropriations unless the Secretary-General certifies that provision can be made under the conditions of the resolutions of the General Assembly relating to unforeseen and extraordinary expenses and the Working Capital Fund.

New regulation. An enabling regulation which is considered necessary by some of the agencies.

Proposed Regulation 15.1 covers the last sentence of present regulation 1, otherwise these are new regulations carried over from those of certain agencies.

These provisions are proposed to be set out under Special Provisions in order to maintain the uniformity of the regulations among agencies in the foregoing articles. The special provisions relating to the Court have in practice been extended to the Permanent Central Opium Board, /the General

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the General Assembly by the Secretary-General, together with such observations as he may deem desirable.

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1. These regulations are established in accordance with the provisions of rule 37 of the provisional rules of procedure and shall be cited as the Provisional Financial Regulations. They shall become effective as from the date of their approval by the General Assembly.

3. These regulations shall apply to the financial administration of the specialized agencies to the extent provided in agreements entered into between the specialized agencies and the United Nations.

10. All appropriations shall require a two-third majority of the General Assembly in accordance with the provisions of Article 18, paragraph 2, of the Charter of the United Nations.

25. No contract, agreement or undertaking of any nature, involving a charge against the United Nations exceeding \$100 (U.S.) shall be entered into, or have any force or effect, unless:

(a) Credits are reserved in the accounts to discharge any obligation which may come in course of payment in the financial year under such contract, agreement or undertaking;

(b) The charge is a proper one against the United Nations; and

COMMENTS

and that practice has been provided for.

As noted above, the last sentence of this regulation is covered in proposed regulation 15.1. The first sentence was not considered to be regulatory.

The agreements are complete and none contemplate the use of the United Nations regulations. Further the set not proposed is proposed as a common set, so this regulation is redundant.

It was considered that this was a matter for rules of procedure, not for financial regulations.

It was not clear why these provisions were considered to be of regulatory nature. It is doubtful that the existence of this regulation could protect the organization legally against commercial suit, and some of the provisions can more logically be covered in the Secretary-General's rules. In particular, it has been accepted that personnel obligations be controlled through the Manning Tables with a result that paragraph (a) is not technically operative for 60-70% of the budget in any case.

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- (c) Proof has been provided that the service is for the benefit of the United Nations and the cost thereof is fair and reasonable.

The Board of Auditors shall draw the attention of the General Assembly to any case where, in the opinion of the Board, any charge has been improperly made or was in any way irregular.

- 30. There shall be established one cash control record in which shall be recorded all cash receipts accruing to the benefit of the Organization. The cash control record shall be divided into such subsidiary receipts classifications as may be deemed necessary.

These regulations are deleted, as in practice they have not been operative from a technical point of view. The Auditors have not criticized our present practices in this respect.

- 31. Cash shall be deposited in one or more bank accounts as required; branch accounts, or special funds which involve a separation of cash assets, shall be established as charges to the cash control record under appropriate regulations as to objects, purposes and limitations of such accounts and funds.

- 37. ... Income from investments of the Staff Provident Fund shall be credited to the Pension Fund.

The Provident Fund being almost liquidated it was considered that this present provision can be covered under proposed regulation 9.3.