



UNITED NATIONS

GENERAL
ASSEMBLY



Distr.
GENERAL

A/C.5/32/34
7 November 1977

ORIGINAL: ENGLISH

Thirty-second session
FIFTH COMMITTEE
Agenda item 100

PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1978-1979

Revision of the Financial Regulations of the United Nations

Report of the Secretary-General

1. In its first report to the current session of the General Assembly on the proposed programme budget for the biennium 1978-1979 (A/32/8, paras. 96-102), the Advisory Committee requested the submission to the current session of an appropriate draft of a revision of the Financial Regulations on the question of commitment against future financial periods. That request was based on its conclusion that there was a lacuna in the Financial Regulations as currently formulated, though it pointed out that a financial rule promulgated by the Secretary-General provided for entering into commitments against future financial periods in certain circumstances.
2. The Secretary-General agrees that it would be in advisable to make the procedures for the authorization of commitments for current and future financial periods as compatible as possible. Accordingly, a proposed revision of financial regulation 10.2 to accomplish this is contained in annex I to the present document. The same annex also provides a rewording of the first operative paragraph of the resolution on unforeseen and extraordinary expenses which would carry out the provision in the regulation with respect to such expenses for the biennium 1978-1979.
3. The effect of the proposed change in regulation 10.2 is to make clear in the same regulation that obligations for a current financial period and commitments entered into for current and future financial periods shall be incurred only pursuant to written authorizations of the Secretary-General. The change also stipulates that the Secretary-General's authority to enter into commitments "shall be subject to such limits and approvals as the General Assembly may prescribe".
4. The limits and approval requirements in respect of unforeseen and extraordinary expenses are traditionally contained in the General Assembly resolution on unforeseen and extraordinary expenses. However, while the Secretary-General basically

is required at present to secure the concurrence of the Advisory Committee for unforeseen and extraordinary expenses in the current biennium, there is no provision requiring such approval in respect of expenses for future periods. Moreover, the Advisory Committee recently informed the Secretary-General that, even if he were to submit a request to it for approval for future periods, it does not, at present, have authority from the General Assembly to grant such approval. The proposed revision to this resolution contained in annex I would eliminate these anomalies. The effect of the revision is to require that the concurrence of the Advisory Committee be secured on ALL commitments to meet unforeseen and extraordinary expenses, except for the prescribed and limited areas in which the concurrence of the Advisory Committee is not required during a current biennium, i.e., for the maintenance of peace and security not exceeding a total of \$US 2 million and for certain expenses of the International Court of Justice.

5. As used above and in the financial regulations, rules and procedures of the United Nations, the term "obligation" per se is used in the accounting sense, i.e. funds cannot be "obligated" unless an appropriation has been made for a current financial period in which a sufficient balance remains available. The term "commitment" is also used in the accounting sense in the Organization's financial regulations, rules and procedures. A commitment can only be entered into when authority has been granted to the Organization to incur a liability BEFORE an appropriation for the purpose has been made. Commitments are converted into obligations and charged against the appropriation secured for the purpose as soon as it becomes available.

6. Annex II of the present report contains, for the consideration of the General Assembly, proposals by the United Nations Board of Auditors for revisions of paragraphs 5, 6, 6 (e) and 8, and a new paragraph 10, in the "Additional terms of reference governing the audit of the United Nations" and gives the Board's reasons for the requested changes. If approved, the Board would apply these revised audit provisions when it submits its report and audit opinion in 1978 on the United Nations accounts for the 1976-1977 biennium.

Annex I

PROPOSED CHANGES IN THE FINANCIAL REGULATIONS OF THE
UNITED NATIONS AND THE RELATED PROVISIONS OF A
RESOLUTION OF THE GENERAL ASSEMBLY a/

A. Proposed change in financial regulation 10.2

Regulation 10.2: /No/ Obligations for the current financial period or commitments for current and future financial periods shall be incurred /until/ only after allotments or other appropriate authorizations have been made in writing under the authority of the Secretary-General /./, whose authority to enter into commitments for which no appropriations have been made shall be subject to such limits and approvals as the General Assembly may prescribe.

B. Proposed change to be made in operative paragraph 1 of the resolution on unforeseen and extraordinary expenses for the biennium 1978-1979, when adopted

The General Assembly,

1. Authorizes the Secretary-General, with the prior concurrence of the Advisory Committee on Administrative and Budgetary Questions and subject to the Financial Regulations of the United Nations and the provisions of paragraph 3 below, to enter into commitments in the biennium 1978-1979 to meet unforeseen and extraordinary expenses /in the biennium 1976-1977/ arising either during or subsequent to that biennium, provided that the concurrence of the Advisory Committee shall not be necessary for:

(a) Such commitments, not exceeding a total of \$US 2 million in any one year of the biennium 1978-1979, as the Secretary-General certifies relate to the maintenance of peace and security;

(b) Such commitments as the President of the International Court of Justice certifies relate to expenses occasioned by:

(i) The designation of ad hoc judges (Statute of the Court, Article 31), not exceeding a total of \$ _____ ;

(ii) The appointment of assessors (Statute, Article 30), or the calling of witnesses and the appointment of experts (Statute, Article 50), not exceeding a total of \$ _____ ;

a/ To assist in identification of the changes, proposed new wording is underscored. Language which is proposed for deletion is shown within square brackets.

/...

- (iii) The holding of sessions of the Court away from The Hague (Statute, Article 22), not exceeding a total of \$ _____ ;
- (iv) The maintenance in office of judges who have not been re-elected (Statute, Article 13, paragraph 3), not exceeding a total of \$ _____ in 1978;
- (v) The payment of pensions and travel and removal expenses of retiring judges, and travel and removal expenses of new members of the Court, not exceeding a total of \$ _____ in 1978 and the payment of pensions of retiring judges not exceeding a total of \$ _____ in 1979;

2. Resolves that the Secretary-General shall report to the Advisory Committee on Administrative and Budgetary Questions and to the General Assembly at its _____ and _____ sessions all commitments made under the provisions of the present resolution, together with the circumstances relating thereto, and shall submit supplementary estimates to the Assembly in respect of such commitments;

3. Decides that if, as a result of a decision of the Security Council, commitments relating to the maintenance of peace and security should arise in an estimated total exceeding \$10 million before either the _____ or the _____ session of the General Assembly, a special session of the Assembly shall be convened by the Secretary-General to consider the matter.

Annex II

PROPOSED CHANGES IN THE FINANCIAL REGULATIONS OF THE UNITED NATIONS DESCRIBED IN THOSE REGULATIONS AS "ADDITIONAL TERMS OF REFERENCE GOVERNING THE AUDIT OF THE UNITED NATIONS"

A. Board of Auditors' reasons for proposed changes

The Board of Auditors has encountered certain situations in its audit of United Nations organizations which have prevented it from expressing a clear opinion on their financial statements. The present Financial Regulations of the United Nations restrict the manner in which a qualification may be expressed and lead to a degree of ambiguity which is not in accordance with good professional practice.

The Board agreed to request changes to the Regulations that would allow greater flexibility in reporting without dropping any of the matters on which the Board is now required to report. The changes proposed by the Board would eliminate the specific wording of the audit opinion that currently forms part of the Regulations and replace it with a statement of the matters on which the Board of Auditors shall express an opinion. The proposal would also add two matters on which the auditors shall be required to express an opinion, namely, that the financial statements are in accordance with the stated accounting principles of the organization and that these principles have been consistently applied. These matters are not currently dealt with in the Regulations.

The Board placed the proposed changes before the members of the Panel of Auditors for their consideration, since the General Assembly has, in the past, expressed a preference for standardization of financial rules within the United Nations system. No objection to the proposal was expressed by any of the other members of the Panel.

B. Proposed changes in paragraphs 5, 6, 6 (e) and 8 and a new paragraph 10 a/

Paragraph 5

5. The Board of Auditors (or such of its officers as it may designate) shall express and sign an opinion in the following terms/ on the financial statements which states whether:

a/ To assist in identification of the changes, proposed new wording is underscored. Language which is proposed for deletion is shown within square brackets.

/...

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

adding, should it be necessary:

"subject to the observations in our foregoing report".

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

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

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

(d) All transactions which came to its attention during the examination were in accordance with the Financial Regulations and legislative authority.

Paragraph 6

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

Paragraph 6 (e)

(e) If appropriate, transactions accounted for in a previous /year/ period concerning which further information has been obtained or transactions in a later /year/ period concerning which it seems desirable that the General Assembly should have early knowledge.

Paragraph 8

8. Whenever the scope of audit of the Board of Auditors is restricted, or whenever the Board is unable to obtain sufficient evidence, it shall refer to the matter in its opinion and report, making clear in its report the reasons for its comments, and the effect on the financial position and the financial transactions as recorded.

Paragraph 10 (new)

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