

MACHINERY FOR THE CONTROL OF EXPENDITURES

Note by the Secretary-General

By resolution of the General Assembly at its 31st plenary meeting (A/64, page 20) the Secretary-General was to be prepared to recommend to the General Assembly during the second part of the first session necessary action on Machinery for the control of expenditure.

The fundamental control rests of course with the General Assembly, which alone has power to approve the budgetary appropriations. The detailed, day-to-day control within the Secretariat is exercised by the Assistant Secretary-General for Administrative and Financial Services, whose Department is organized as three Bureaus - the Bureau of Administrative Management and Budget, the Bureau of the Comptroller, and the Bureau of Personnel. Each of these Bureaus has a part in the operation of the necessary controls, which are exercised in three ways, briefly described on page 11 of the Budget document, A/79:

(a) In formulating the budget, Departments submit their own estimates to the Department of Administrative and Financial Services. These Departmental estimates are reviewed by the Bureau of Administrative Management and Budget, and where appropriate by the Bureau of the Comptroller and the Bureau of Personnel. Consultations are held with Departments to obtain balanced Departmental and overall figures, having regard to the necessity for efficient and economical administration on the one hand and the effective carrying out of programmes on the other.

(b) Following approval of the estimates, allotments are made to Departments on a quarterly basis to meet expenditures and obligations. In making these allotments, the Bureau of Administrative Management and Budget reviews with each Department their requirements for the quarter, taking account of changes which may have occurred since the estimates were approved.

(c) The financial rules now in operation provide inter alia for the recording against allotments of obligations. A system of pre-audit of bills and vouchers submitted for payments has been introduced, as well as an internal post-audit designed to test the efficiency of the accounting system and the adequacy of the regulations and methods of control.

These three elements of internal control require a more detailed explanation, although, inevitably, it is not possible within the compass of a short paper to describe every check which is applied to every type of transaction.

REVIEW OF BUDGET ESTIMATES SUBMITTED BY DEPARTMENTS

The largest single item of expenditure in the budget relates to salaries, the total of which depends upon the number and grading of posts; and a substantial part of the remaining expenditure is directly related to the

number of posts. Control over establishments is accordingly of prime importance in the formulation of the Budget.

The organizational framework of each Department is drawn up, for the approval of the Secretary-General, by the Bureau of Administrative Management and Budget in conjunction with the Department concerned. When the Departmental organization is approved, the Bureau of Administrative Management and Budget issues manning tables for the Department, specifying the maximum number of posts in each grade which may be filled in that Department for a stated period. The Bureau of Personnel is responsible for seeing that recruiting for that Department is not carried beyond the manning table limits, except insofar as short-term, temporary personnel are required for periods of exceptional pressure of work - e.g. the period of the General Assembly.

The manning tables require amendment in the light of changing work programmes, and the review of the annual Departmental estimates is a stage in that continuing process. With knowledge of the anticipated number of staff to be employed it is possible to review the estimates for office facilities, space, stationery, etc. Estimates for other services - e.g. public information programme - are reviewed in the light of approved policies of the General Assembly. Regard is had to the need for economy in the execution of programmes, and for co-ordinating and preventing any overlapping in the work of the various Departments and of specialized agencies. The Bureau of Administrative Management and Budget and the Bureau of Personnel also keep under review the question of salary and allowance rates as such.

ISSUE OF ALLOTMENTS TO MEET EXPENDITURE AND OBLIGATIONS

The second stage of control, i.e. the issue of allotments, is in some degree a repetition of the process of estimates review. The appropriations approved by the General Assembly are not automatically available for spending by Departments. In the first place, the Secretary General is required, by the terms of the draft appropriation resolution on page 32 of the Budget document A/79 to make primary allotment of appropriations by object of expenditures, as shown in Table 2 of the Preliminary Budget Estimates, (for example, the appropriation for "Common Services" will be allotted for Communication Services, Rentals of Premises, Stationery, Printing and the other items listed on pages 66, 69, and 70 in the Budget document, A/79.) thus limiting the funds available for any particular object. And in the second place the primary allotments are themselves not available for spending by Departments until a secondary allotment has been authorized to the spending Department by the Secretary-General acting through the Assistant Secretary-General for Administrative and Financial Services (for example, before Departments can employ staff a secondary allotment must be issued to them out of the primary allotment for Salaries).

To secure a secondary allotment, a Department must submit an estimate of the amount required to the Bureau of Administrative Management and Budget for review and approval. In considering requests from Departments for allotments, the Bureau of Administrative Management and Budget has regard to:

- (a) Availability of Appropriations, and the intentions of the General Assembly in approving those appropriations.
- (b) Availability of funds on hand.
- (c) Known or possible future demands from other Departments, and their effect on present requirements (i.e. it might in certain circumstances be necessary to determine the relative priorities of different programmes).

(d) Authority for determination of the programme from which the allotment requests arise. Except where the General Assembly approves a programme in detail, the precise manner of its execution must usually be determined by the Secretary-General. In matters which do not, by the terms of General Assembly resolutions, require his personal authority, the Secretary-General may delegate his authority to the Assistant Secretaries-General, on matters within the scope of their Departments. It is, however, normally the case that before a major Departmental programme is approved the Bureau of Administrative Management and Budget is requested to advise the Assistant Secretary-General for Administrative and Financial Services on the financial implications of that programme.

(e) Economy in carrying out the programme.

(f) Justification for the estimate put forward by the Department. The amount of justification required varies with the circumstances. Where the Department has submitted detailed justification for the annual budget estimates, and there has been no change of circumstances since that time, an allotment to carry out the budget programme would not call for a restatement of the details. In other cases however it might be necessary to review the allotment request in detail.

In general, requests for these allotments are made quarterly to cover the following quarter's requirements, but there are two types of exception to the quarterly basis.

First, certain operations - e.g. the transfer from Hunter College to Lake Success - represent firm programmes of an exceptional and non-recurring nature, and accordingly allotments are made on what may be described as a "project" basis, to cover the complete costs of the operation. The "project" allotment covers all types of expenditure in the operation - transportation costs, construction and alteration work, etc. - the actual expenditure being analyzed in the allotment accounts maintained by the Comptroller.

Secondly, in the case of "extra costs" arising from the holding of a conference (e.g. special hire of space, or travel of Secretariat staff attending the conference) it is desirable, to secure effective control, to collate the estimates from each Department relating to a particular conference and to review them as a whole. For example, a conference held in Europe may involve action by both the Department of say Economic Affairs and by Conference and General Services at headquarters, and to prevent duplication in the services which each Department proposes to render to the conference a single "conference budget" is prepared. Accordingly it is proposed to make in the first place a single allotment on a project basis for each specific conference; this project allotment will however be sub-divided by objects of expenditure for each Department concerned and the accounts which will be kept for the project will be similarly broken down. When the project is completed, both the allotments (as far as it has been utilized) and the expenditure under it will be transferred to the normal Departmental secondary allotment accounts for the relevant objects of expenditure. The closed project accounts will remain as a source of information on the direct additional costs resulting from conferences.

At a later stage, other exceptions may be made to the quarterly basis for allotments, which is simply a matter of convenience and expediency. At the present time, when annual estimates have to be based on a limited experience, it is to be expected that a closer estimate can be made for three months ahead than for a year; accordingly the quarterly allotment request affords both the Department and the Bureau of Administrative Management and Budget an opportunity to revise the estimates to give effect to changes in programme or other new developments. When the organization

reaches a more stable situation, or as experience leads to firmer estimating, it may be desirable to lengthen the allotment period for any particular type of expenditure, or to make other changes in allotment methods.

Up to the stage where secondary allotments are authorized, the controls described above are exercised in the Bureau of Administrative Management and Budget. The third step in the control system is effected in the Bureau of the Comptroller.

APPROVAL OF OBLIGATIONS AND CONTROL OF EXPENDITURE

Delegation of authority (see Annex A as to relevant Secretariat instructions) by Assistant Secretaries-General to their Departmental officers must be made in writing on special Authorization Cards specifying precisely what actions the officer concerned is authorized to take. Copies of these cards are sent to the Comptroller, who is thus in a position to check the authority for each obligation. In each Department, a fairly wide authority to act for the Assistant Secretary-General in financial, personnel or supply matters is delegated to a responsible Executive Officer, but actual power to enter into obligations has in most matters been concentrated in a few divisions of the organization, to which the Secretary-General has entrusted the functions. Thus Executive Officers may authorize official travel for their Departments, but the engaging of staff may only be undertaken by a responsible officer in the Bureau of Personnel, while purchase and supply functions are restricted to a division of Conference and General Services. (The Provisional Procurement Rules are reproduced in Annex B).

The Comptroller in fact exercises a continual and detailed review of expenditure programmes, and of the flow of transactions in the financial administration. The controls operated by him fall broadly into three phases, exercised by separate divisional units in his Bureau.

All proposed obligations for more than \$1,000 must be submitted with supporting documents to the Division of Budget Accounts and Expenditure Control for examination and may not be finally entered into until the Comptroller's approval is given; similarly, all bills for payment must be passed to this division for pre-audit.

The nature and extent of the controls varies with each class of transaction, and a statement of them in some detail is given in Annex D. In brief, however, the essential features are as follows:

(a) Verification from the Authorization Cards that there is due authority for obligations. For example, no person will be put on the payroll unless the Comptroller has an instruction, with all details, from a duly authorized officer of the Bureau of Personnel.

(b) Examination of draft contracts (which must also be cleared by the Legal Department) or other obligations and of supporting documents for:

- (i) compliance with allotments and availability of funds;
- (ii) compliance with Financial Regulations and Rules (reproduced in Annex C)
- (iii) propriety of contract methods - e.g. whether by competitive tender or not, whether lowest price was accepted, etc;
- (iv) reasonableness of terms;
- (v) possible consequential effects on the finances of the organization.

(c) Invoices may be paid only by the Comptroller, who first pre-audits them to see that:

- (i) there is a certificate of evidence of delivery of supplies, in accordance with contract terms and specifications and that the goods have been brought on charge in the inventory or stock records; (or that there is evidence of satisfactory performance of service);
- (ii) all documents are in order, are arithmetically correct, and are signed by the duly authorized officer;
- (iii) payment is in accordance with the terms of the contract and had not previously been made. To prevent double payment, every payment made is recorded on a memorandum "Payee Record Card" maintained in respect of each payee by name.

The transactions described above are recorded in the Budget Accounts, the accuracy of which is checked through over-all, total accounts maintained by the General Accounts Division. These totals, or Control, accounts, similarly serve to check the accuracy of all other subsidiary records - e.g. of Members' Contributions, cash, investments, advances to employees, accounts receivable, fixed assets, provident fund payments. From these accounts, and the periodical financial statements prepared from them, the Comptroller maintains control over the collection of Contributions and other income, and the repayment of recoverable expenditure. The statements enable him to see that the total allotments issued do not exceed the available balance of appropriations, and also form a monetary record of assets acquired through purchase of property, stores or rights. (The stock or inventory records of physical quantities of goods, supplies etc. purchased are maintained by Conference and General Services).

Special attention is given to the control of cash, which is deposited in Banks designated by the Secretary-General. All advances to the Working Capital Fund (the same procedure will be followed for Contributions) are paid into an account at the Federal Reserve Bank from which transfers are made as required to working accounts at the Chemical Bank. Cheques on the Federal Reserve Bank account must be signed by either the Secretary-General or the Assistant Secretary-General for Administrative and Financial Services and by either the Comptroller or the Chief of his Treasury Office. Cheques on the working accounts at the Chemical Bank must be signed by two officers duly authorized in writing by the Comptroller to do so, the Bank having specimens of the authorized signatures. The only exception to the requirement of two signatures is that payroll cheques are signed by only one officer: these cheques are drawn on a separate Payroll Account at the Chemical Bank, into which is deposited the exact amount of the total of each payroll.

The record of cash transactions is regularly reconciled with Bank certificates of balances, cleared cheques, etc. and with cash held in the safe - the latter amount being normally extremely small. Similarly investment transactions are recorded in the general accounts, the balance on which can be checked against the securities held in safe custody in the Bank. To date, investments of temporarily surplus funds have been limited to short term United States Treasury bills; a Financial Regulation on investments is being submitted to the General Assembly as part of Revised Provisional Financial Regulations.

Further, by means of the general accounts, control is effected over imprest accounts and the accounts of regional offices, where internal checks similar to those at headquarters are applied by the local Finance Officers, who are the Comptroller's representatives.

CO-ORDINATION OF CONTROL

At each stage above the Bureau of the Comptroller maintains close liaison with the Bureau of Administrative Management and Budget. The two Bureaus must be in accord as to the scope and content of the allotment accounts, and must determine what "object breakdown" is desirable and feasible within the allotment accounts - i.e. the degree in which expenditure under the allotments shall be analyzed in the accounts with a view to permitting closer control if necessary, and to giving information of value in formulating future estimates.

Further, by issue of the financial statements the Comptroller keeps spending Departments and the Bureau of Administrative Management and Budget informed as to the position of the allotments. By watching the rate of expenditure he is able to advise if allotments are likely to be exhausted before the end of the period to which they relate. If any category of expenditure appears to require closer control he is able to advise the Bureau of Administrative Management and Budget with a view to their tightening the scope of the allotments covering that category.

AUDIT

The final process in the internal control consists of post-audit carried out by the Audit Division of the Bureau of the Comptroller. This does not consist of a routine, ex post facto, repetition of the checks applied at earlier stages. It is a test audit designed to check the efficiency of the accounting system, the correctness of the accounts and the adequacy of the regulations and methods of control. It is applied to the whole range of United Nations activities, both as regards the financial and the stock or inventory records, but the extent of the test is varied according to the degree of risks of error etc. in the type of transaction audited, as disclosed by the audit reports.

The internal post-audit should not be confused with the external audit, as to which recommendations are being submitted by the Secretary-General to the General Assembly. The external audit will be carried out under the direction of auditors independent of the Secretariat and responsible to the General Assembly. Their methods may be similar to those of the internal auditors, but they will have greater freedom of action; for example a decision by Secretariat authorities may be binding upon the internal auditors but may none the less be open to objection by the external auditors. It is through the medium of the latter's reports that the efficiency of the machinery for control of expenditure may expect to be judged. They are in fact, the last element in the machinery. Their work must necessarily be done after expenditure has been incurred, but the fact that every action of any officer of the Secretariat, in so far as it has financial effect, is open to detailed review by authorities external to the Secretariat, can be expected to have its cautionary effect.

ANNEX A

DELEGATION OF AUTHORITY

1. The primary delegation of authority is that from the Secretary-General to the appropriate Assistant Secretary-General.
2. To meet the necessities of practical operation the Assistant Secretary-General may authorize others to act for him in certain cases, unless, by regulation, the authorization of specific actions is to remain with the Assistant Secretary-General. The final responsibility to the Secretary-General, under such delegations, resides in the Assistant Secretary-General, but persons with re-delegated authority are fully responsible to the persons who delegated the authority to them.
3. In the case of administrative, financial, and general service matters, the Assistant Secretary-General should authorize the Executive Officer to act in his behalf. The Executive Officer may, in turn, extend this authority to other personnel in his department unless the regulations prohibit delegation beyond the Executive Officer. As a matter of policy, the Executive Officer should not re-delegate his authority unless this is essential to effective operation. In particular, he should not re-delegate the authority to submit requests on behalf of his department for budgetary allotments, personnel requisitions, non-expendable supplies and equipment, authority to travel, and travel and salary advances, nor ordinarily for printing. The Executive Officer may authorize other members of the staff to initiate actions and prepare documents for his signature or counter-signature, but this will not be considered a re-delegation of authority, and the Executive Officer will be regarded as responsible for these actions.
4. In order that the officers responsible for contracting and paying for materials and services may be assured that requests submitted to them are properly authorized, the following procedure is established:
 - (a) The Assistant Secretary-General of each Department shall make such authorization as he may wish to one or more persons in his Department and certify to this effect on an Authorization Card (Form AB6, copy attached) for each person designated. Types of actions listed on the card which the Assistant Secretary-General does not wish to authorize should be stricken out. Additional Authorizations may be listed on the card in the space provided. If the Assistant Secretary-General wishes to authorize his designee to re-delegate any authority, he should indicate this by placing his initials before the actions which may be re-delegated.
 - (b) The officer to whom the authorization is made shall sign the card in the space provided.
 - (c) The Authorization Card shall be made in single copy only, and shall be forwarded to the Assistant Secretary-General for Administrative and Financial Services for his information and concurrence.
 - (d) Photostatic copies of the card will be arranged by the office of the Assistant Secretary-General for Administrative and Financial Services, and transmitted to
 - (i) the initiating Assistant Secretary-General
 - (ii) the appropriate contracting officers, and
 - (iii) the Comptroller.

5. Executive Officers or other persons designated by the Assistant Secretary-General shall follow the same procedure as in 4, in re-delegating their authority to other staff members.

6. In order to cancel delegation of authorities, the delegating officer should write "Cancelled" across the face of his copy of the Authorization Card, and forward it to the Assistant Secretary-General for Administrative and Financial Services, who will notify the appropriate persons. If some authorities are to be cancelled, and others continued, the same procedure should be followed, and a new card should be prepared indicating the authorities which continue in effect.

Form AB/6
10 June 1945

AUTHORIZATION CARD

DELEGATION DE SIGNATURE

DO NOT WRITE IN THIS SPACE
NE PAS ECRIRE ICI

Name
Nom

Office or Post
Poste ou Titre

is authorized to approve the following for
est habilité à signer pour le Département de

Department
Le Département

and to re-delegate the items initialled.
pour les rubriques paraphées l'intéressé a le droit de sous-déléguer sa signature.

Strike out items not applicable
Biffer les mentions inutiles

Requisitions for expendable supplies	Les réquisitions de petites fournitures
Requisitions for non-expendable supplies and equipment	Les réquisitions de matériel et de mobilier
Requests to the Library for the purchase of books and periodical subscriptions	Les demandes adressées à la Bibliothèque concernant l'achat de livres et les abonnements aux périodiques
Requests for duplicating	Les demandes au service de renéographie
Requests for printing	Les demandes au service des impressions
Requests for language services	Les demandes adressées à la Division linguistique
Requests for editorial services	Les demandes adressées à la Division de l'Édition
Requests for authority to travel	Les demandes d'autorisation de voyage
Requests for travel advances	Les demandes d'avances sur frais de voyage
Requests for budgetary allotments	Les demandes de crédits budgétaires
Clearance of procedural matters	L'expédition des affaires courantes
Requests for allocation of space	Les demandes de locaux
Requests for telephone equipment	Les demandes d'installations téléphoniques
Long distance telephone calls	Les appels téléphoniques interurbains
Telegraph and cable messages	Les câbles et télégrammes
Requests for personnel	Les demandes de personnel
Certification of personal service (Time and attendance)	Les feuilles de présence (heures de présence du personnel)
Overtime work to be performed	Les heures supplémentaires prévues
Overtime work performed	Les heures supplémentaires effectuées
Night differential compensation	Les indemnités pour travail de nuit
Requests for salary advances	Les demandes d'avances sur traitement

Concurred in
Approuvé

For the Assistant Secretary-General for Administrative and Financial Services
Pour le Secrétaire général adjoint chargé des Services administratifs et financiers

Assistant Secretary-General (or designee)
Secrétaire général (ou suppléant)

ANNEX B

PROVISIONAL PROCUREMENT RULES

Rule 1. Advertising Requirements

All purchases and contracts for articles or services made by the United Nations shall be made by advertising, except as provided in Rule 3.

Rule 2. Placing of Bids

Whenever advertising is used:

(a) The advertisement for bids shall be a sufficient time previous to the purchase or contract, and specifications and invitations for bids shall permit such full and free competition as is consistent with the procurement of types of articles and services necessary to meet the requirements of the United Nations.

(b) All bids shall be publicly opened at the time and place stated in the advertisement. Award shall be made with reasonable promptness by written notice to that responsible bidder whose bid, conforming to the invitation for bids, will be most advantageous to the United Nations, price and other factors considered, provided that acceptance by the Assistant Secretary-General in charge of Conference and General Services of any other than the lowest bid conforming to the invitation for bids, or his rejection of any bid on the ground of the bidder's not having the essential qualification and means to perform satisfactorily the requirements of the invitation, shall be final, and in each such case he shall file with the original contract a statement of the advertisement, provided further, that all bids may be rejected when the Assistant Secretary-General in charge of Conference and General Services determines that it is in the interest of the United Nations so to do.

Rule 3. Exceptions to Advertising Requirements

Purchases and Contracts may be negotiated without advertising if:

1. the exigency will not admit of the delay attendant upon advertising;
2. the aggregate amount involved does not exceed \$1,000.00;
3. for personal or professional services;
4. for medicines, medical supplies, hospital or surgical supplies or prosthetic appliances;
5. for proprietary articles, perishable subsistence supplies or other supplies or services for which it is impracticable to secure competition;
6. the prices or rates for the item are fixed pursuant to legislation, and there is no other available source of supply, such as telephone and electric service or transportation, where rates are approved by regulatory bodies;

7. the Assistant Secretary-General in charge of Conference and General Services determines that the procurement without advertising is necessary in order to assure standardization of equipment and interchangeability of parts;

8. the Assistant Secretary-General in charge of Conference and General Services determines that advertising and competitive bidding do not produce reasonable prices independently arrived at in open competition;

9. otherwise authorized by the Secretary-General.

Rule 4. Negotiated Contracts

Contracts negotiated pursuant to Rule 2 may be accomplished in a manner which, in the opinion of the Assistant Secretary-General in charge of Conference and General Services, will promote the best interests of the United Nations.

Rule 5. Advance Payments

Advance payments may be authorized with the approval of the Finance Office when it is customary commercial practice in the country in which the purchase is being made.

Rule 6. Delegation of Authority

The Assistant Secretary-General in charge of Conference and General Services is authorized to delegate the powers to make determinations or decisions specified in Rules 2, 3 and 4 as may be necessary for administrative expedience.

Rule 7. Written Justification of Determination

Each determination or decision required by Rule 2 and by Sub-sections 1, 3, 5, 6, 7, 8 and 9 of Rule 3 and by Rule 4 shall be based upon written findings made by the official making such determination, which findings shall be final and shall be preserved in the applicable case files.

Rule 8. Effective Date

This rule shall become effective as of 11 March 1946.

ANNEX C

PROVISIONAL FINANCIAL RULES*

SECTION I BUDGET AND ADMINISTRATION

- Rule 1. The heads of all departments or other sub-divisions shall submit estimates of expenditure for future financial periods when so required by the Budget Director.
- Rule 2. Appropriations shall be available to meet obligations only after being allotted by the Budget Director.
- Rule 3. The Budget Director shall make such allotments as are necessary to units of the Organization from appropriations to ensure that obligations are incurred only in accordance with budgetary limits. The Budget Director shall notify both the Organization unit concerned and the Comptroller concurrently of such allotments or subsequent changes therein.
- Rule 4. Obligations may be incurred for the purposes indicated, not exceeding the amount of the allotment and in accordance with the provisions of Section 3, Rule 1.
- Rule 5. The unobligated balances of allotments may be decreased or transferred (within appropriation limits) by the Budget Director. Unallotted or unobligated balances may be transferred between appropriations as provided in Rule 22 of the Provisional Financial Regulations.
- Rule 6. The availability of allotments to meet obligations shall continue only to the extent that the relevant appropriation itself remains available for obligations.

SECTION II EXPENDITURES

Part 1 - Incurring of Obligations

- Rule 7. Only those officials designated for the purpose by the Secretary-General may authorize or order the incurring of obligations. Every person authorizing or ordering the incurring of an obligation is responsible to the Secretary-General for the obligation incurred.
- Rule 8. Obligations may only be incurred subject to the conditions laid down by the regulations or rules specifically applicable to each category of expenditure.
- Rule 9. No authority or order to incur an obligation shall be given without the prior approval of the Comptroller, except as provided in Rule 8 of the Provisional Financial Regulations.
- Rule 10. The Comptroller shall examine proposals to incur obligations from the point of view of the appropriation and allotment to be charged, the availability of funds, the correctness of the calculations, the observance of the financial provisions of the rules and regulations, the intentions of the General Assembly when approving the Budget, and the results which the proposed measures may have on the finances of the United Nations. For this purpose all the documents

* These rules were drawn up in accordance with the recommendation of the Advisory Group of Experts and were put into force by the Secretary-General under the general provisions of the Provisional Financial Regulations approved by the General Assembly. Certain modifications to those Financial Regulations

justifying a proposal to incur obligations shall be submitted to him.

Rule 11. These proposals must be signed by the ordering officer and accompanied by the necessary supporting documents which shall show the purpose of the proposed expenditure, its calculation and the appropriation and allotment to be charged.

The Comptroller, after examining each proposal, shall signify his approval in writing on the document on the basis of which the obligation will be incurred.

Rule 12. From and after 1 September 1946 no obligations shall be incurred by way of insurance policies, e.g., fire insurance or bonding of cashiers. The organization shall carry its own insurance risks from and after that date, save and except with respect to third party risks involving automotive equipment owned or operated by the United Nations.

Rule 13. All obligations exceeding \$1,000 must be embodied in a detailed contract specifying:

(a) in the case of goods - the exact description of the goods, the quantity required, the price of each article, the conditions of delivery and the terms and dates of payment.

(b) in the case of personnel or other services to be rendered - the nature of the services, the period covered, the conditions of fulfilment, the rate of remuneration and the terms of payment.

Obligations for materials involving a sum less than \$1,000 may be incurred by letter or purchase order signed by a duly authorized officer of the Organization.

Obligations in respect of goods or services involving sums of less than \$25 may be incurred under verbal authorization, and the expenditure may be paid from imprest accounts.

Rule 14. Any official authorizing or incurring obligations shall be responsible for actions or decisions knowingly taken in disregard of the regulations.

Rule 15. The prior approval of the Comptroller shall not be required for:

(a) obligations incurred by engaging staff members. The control over this is exercised by the Personnel Director through the authorized manning tables. The Comptroller must however be notified of increases or decreases in authorized numbers in order that he may record changes in the obligations for salaries and wages, and he should, in his pre-audit of salaries and wages lists, see that authorized numbers are not exceeded:

(b) obligations or expenditures of sums less than \$25.

(c) obligations or expenditures incurred by sub-accountants in Regional Offices. These will be governed by separate rules to be issued later when such offices are established.

Part 2 - Discharge of Obligations and Control of Expenditure

Rule 16. Except where provided elsewhere in the Rules, payment shall be made only for services rendered or deliveries completed.

Before payment is made, the right of the creditor to payment shall be verified either by the ordering officer or, in cases where the ordering officer is not in a position to verify the service or delivery, by the officer having the most direct knowledge of the service or delivery.

Rule 17. Payments shall not be paid unless the supporting documents are certified by appropriate officers:

(i) to the effect that services have been rendered or delivery made in accordance with the documents establishing obligation, that the amount is correct and in accordance with the terms of payment, which shall be stated on the bill;

(ii) as to the appropriation and expenditure accounts to be charged, and the reference number of the relevant encumbrance document.

The certificates shall be submitted to the Comptroller accompanied by such documents as he may require.

Rule 18. The comptroller shall satisfy himself that all proposed payments are properly chargeable against obligations approved by him.

If the Comptroller is of opinion that there is any serious irregularity in the claims submitted to him for approval, he shall refer such matters to the Assistant Secretary-General for Administration and Finance.

Rule 19. All expenditure vouchers shall be prepared by the Comptroller and shall support the authority for payment. All documents relating to payment vouchers shall be retained to support the accounts of the Comptroller.

Part 3 - Imprest Cash

Rule 20. Imprest cash advances of an amount to be fixed in each case may be made to officers designated by the Comptroller.

Rule 21. Officials to whom an imprest cash advance is issued shall be responsible for the advance and must at any time be in a position to account for it.

Rule 22. Imprest cash advances may be replenished at the request of the imprest holder on presentation of expenditure statements and supporting vouchers.

The imprest accounts shall be submitted for approval to the Comptroller.

Rule 23. Vouchers supporting the accounts of imprest holders must be drawn up in accordance with rules prescribed by the comptroller.

Part 4 - Travel Expense Advances

Rule 24. Travel expense advances may be made to staff members to whom travel authorizations have been issued. Advances shall be made in accordance with the provisions of the relevant Regulations.

Rule 25. Travel expense advances for which the traveller does not account shall be repaid by the staff member at the request of the Comptroller.

SECTION III RECEIPTS, DISBURSEMENT AND MANAGEMENT OF FUNDS

Rule 26. The Comptroller will designate a **Cashier to be responsible** for the funds under his control. The Cashier administers all bank accounts including those opened for a special purpose. Transfer from Account No. 1 of the United Nations at the Federal Reserve Bank of New York shall be made only on cheques signed by the Secretary-General or by the Assistant Secretary-General for Administrative and Financial Services and countersigned by the Comptroller or Chief of the Treasury Division. Cheques drawn on other accounts except payroll and petty cash accounts shall be signed by two persons one from each of two panels of signatories designated by the Secretary-General or Assistant Secretary-General for Administrative and Financial Services. Payroll and petty cash accounts may be opened by the Cashier with approval of the Comptroller. Cheques drawn upon any such accounts shall be signed in accordance with instructions issued by the Comptroller, one signature being sufficient if this is considered adequate by the Comptroller for any such accounts opened.

Rule 27. Only the Cashier is authorized to make disbursements by cash or by cheque, and to receive amounts of money, except as otherwise provided in these rules. Payments and receipts shall be supported by either payment or receipt vouchers drawn up a priori by the appropriate officer.

Rule 28. The Cashier shall keep a cash account in which all receipts and payments shall be recorded as they occur. He shall keep the bank accounts, as well as accounts of all sums deposited with other institutions.

Rule 29. Funds may only be deposited in banks or institutions specified by the Secretary-General.

Rule 30. No interest shall be payable on sums deposited with the Organization. Should any interest accrue on investments made on behalf of third parties, the amount of such interest shall be repaid to the holders of such funds, subject to the deduction, if necessary, of a commission, the amount of which shall be determined by the Assistant Secretary-General for Administration and Finance.

SECTION IV ACCOUNTING PROCEDURE

Rule 31. Basis of the Accounts. In the accounts

(i) obligations shall be recorded in the account of the financial year in which they are approved by the Comptroller.

(ii) receipts shall be credited to the account of the financial year in which the remittance is received.

(iii) expenditure shall be charged to the account of the financial year when payment is made, that is when the cheque is issued or cash is paid out.

Rule 32. The accounts shall comprise the Budget Accounts, the Treasury Accounts, and the General Accounts which summarize the Budget and Treasury accounts and from which the periodical financial statements are prepared.

(a) BUDGET ACCOUNTS

Rule 33. The Comptroller shall keep accounts for each heading of the Budget, which shall show:

- (a) The appropriations voted by the General Assembly, the allotments made by the Secretary-General, and the adjustments subsequently made in these amounts.
- (b) The amounts of all obligations incurred.
- (c) The amounts of the expenditures approved by the Comptroller for payment.
- (d) The unobligated and unexpended balances of appropriations and allotments.

Rule 34. Obligations and expenditures shall be recorded in accounts according to classifications of the Budget and such other classifications as may be required for administration purposes.

Accounts of obligations and expenditures shall be supported by documents, referring to such obligations and expenditures, submitted to the Comptroller for approval.

Rule 35. The record of obligations incurred shall include at the beginning of the financial year:

- (a) The estimated amount of obligations for the whole year resulting directly and without further administrative decisions from the application of the regulations.
- (b) The amount of obligations recurring as a result of previous decisions.
- (c) The amount of obligations outstanding from previous commitments to be liquidated during the current financial year.

Rule 36. When an obligation previously authorized is for any reason increased or decreased, an advice of adjustment shall be made immediately and submitted for approval to the Comptroller with such supporting documents as may be required. Thereupon, the necessary adjustment shall be made in the accounts.

(b) TREASURY ACCOUNTS

Rule 37. The Treasury Accounts shall comprise:

- (a) Cash Accounts showing all incomings and outgoings of funds.
- (b) Special accounts, the management of which is subject to special regulations.

Rule 38. With the exception of the Cash Account kept by the Cashier, Treasury Accounts shall be administered by another official to be designated by the Comptroller. This official shall carry out all necessary accounting operations and shall instruct the Cashier to make and accept payments accordingly.

Rule 39. With the exception of Cash Accounts and such accounts as are kept in pursuance of instructions from the General Assembly, Treasury Accounts may not be opened except at the direction of the Secretary-General.

Rule 40. Members' Contribution Records shall be maintained showing the amounts due and received from Members.

Rule 41. Special accounts shall be administered in accordance with the special regulations laid down by the Secretary-General in respect of each of them.

Rule 42. A special account called "Working Capital Fund" shall be opened. This fund shall consist of:

(a) The initial amounts advanced by Members. Each Member shall have to its credit in the book of the Organization the amount of the advances made by it to the Working Capital Fund.

(b) All further sums which the General Assembly may decide shall be paid to it.

Transfers from the Working Capital Funds shall be made in lump sums on the authority of the Secretary-General or such officers as he may designate.

(c) GENERAL ACCOUNTING SYSTEM

Rule 43. The General Accounts Section shall summarize all accounting operations. The accounting system shall be a double-entry system. Its records for accounting purposes shall include:

(1) A general journal showing all transactions in chronological order;

(2) A general ledger;

(3) Subsidiary records showing in summary the classification of income and expenditure.

Rule 44. Accounts shall be based on daily summaries prepared by the Budgetary Accounts Section, the Cashier, and the Treasury Section. The transactions of these three offices shall be reconciled prior to posting. In addition to this reconciliation, a post-audit test of the General Accounts and of all accounts and vouchers from which they are compiled (and of stores accounts) shall be made by the Regulations and Inspections Section of the Comptroller's Office.

Rule 45. The General Accounting Section may make changes in the classification of receipts or expenditure, if necessary, after notifying the head of the Department concerned.

Rule 46. The General Accounting Section shall prepare periodical financial statements and the final annual accounts and balance sheet. It shall present to the Secretary-General:

(1) A weekly statement of cash on hand, showing both funds belonging to the Organization and trust or agency funds.

(2) A monthly statement of budgetary expenditure showing:

- (a) Credits opened
- (b) Obligations incurred
- (c) Expenditure
- (d) Available balances

(3) As early as possible in the second half of each year, financial statements as at 30 June, showing receipts and expenditures, debits and credits, classified according to their nature. There shall be attached to the financial statements:

(a) A statement of the operations and financial position of the Working Capital Fund.

(b) A statement of outstanding contributions.

(4) As early as possible each year a detailed balance sheet as at the 31 December immediately preceding. In addition to this balance sheet there shall be produced:

(a) A Budget Statement showing, according to the classification in the Budget.

Allotments approved and expenses obligated.

Obligations incurred to be carried forward to the following financial year.

The amount of appropriations voted, of expenditure incurred and budgetary receipts.

(b) A detailed statement of special funds or accounts, including the Working Capital Fund.

(c) A statement of property or supplies bought, acquired or disposed of during the financial year.

(d) A detailed statement of both stores and cash losses which have occurred during the year, indicating how these have been dealt with in the accounts.

Rule 47. The final accounts shall be signed by the Secretary-General and formally submitted to the Auditors by the 31 March following the end of year of account.

Rule 48. The General Accounts Section shall arrange for the Auditors to have access at all convenient times during the year to all accounting records and information relevant thereto which they may require. Requests by the Auditors for official files which may deal with matters of policy should however be made through the Assistant Secretary-General for Administration and Finance.

Rule 49. These rules shall become effective as of 11 March 1946.

ANNEX D

DETAIL CHECKS EXERCISED IN REGARD TO
ALLOTMENTS OBLIGATIONS AND EXPENDITURES

PART I. EXPENDITURE CONTROL SECTION

A. DIRECT CONTROL OVER COMMITMENT OF UNITED NATIONS FUNDS

1. Propriety examination. Examination of obligations of \$1000 or more in value for propriety in accordance with the requirements of SGB/4, Rule 10, excepting availability of funds which is determined by Budget Accounts Section.

(a) Approval of the Comptroller required for all obligations exceeding \$5000 in value.

(b) Approval for the Comptroller by Chief of Section for obligations between \$1000 and \$5000.

(c) Approval for the Comptroller of obligations of \$1000 or less delegated to purchasing officials by the Assistant Secretary-General for Administrative and Financial Services.

2. Examination of Contract Drafts. All drafts of contracts imposing an obligation on United Nations Funds are examined for financial propriety by the Payment Control Section prior to approval by or on behalf of the Comptroller and are subject to the same limitations as other types of obligations. Financial conditions, etc., under the contracts are closely examined as to practicability and clarity.

An analysis is made of contingent obligations which may be incurred as a result of any contract.

B. CONTROL OVER EXPENDITURES OF UNITED NATIONS FUNDS

1. Control over expenditures for goods and services rendered

(a) Assurance that only authorized officials have ordered goods or services.

(i) All signatures on purchase orders and receivers report verified against list of officials to whom authority has been delegated for these purposes.

(b) Assurance that goods or services have been received as ordered.

(i) Receiver's report is required showing quantities and description of goods received.

(ii) Vendor's invoice required showing quantities and amounts billed.

(iii) Copy and original purchase order required showing amounts ordered. Invoices, receivers report and purchase order are compared. Irregularities would be basis for disallowance or payment after adjustments effected on the basis of deliveries.

(c) Control over accuracy of payment and substantiation thereof.

- (i) Determination that payment has not been previously made. Individual payee cards maintained in Expenditure Control Section showing all previous payments. This card examined prior to certification of payment. Payment noted on card after certification.
- (ii) Accuracy of calculations subjected to careful audit.
- (iii) Substantiation of payment. Voucher prepared for each approved payment showing amount to be paid, name of vendor, purpose of payment and carrying the signature of the auditor and receiver of the voucher. Voucher register also prepared to control totals of vouchers issued. Voucher register reconciled with all vouchers listed thereon. Checks reconciled with voucher register after preparation.

2. Control over expenditures for official travel

(a) Assurance that official travel has been authorized. No reimbursement for official travel approved by the Expenditure Control Section without properly signed travel authorization Form TT8.

- (i) This does not in all cases apply to advances which are sometimes issued prior to performance of the travel without receipt of a Form TT8. All travel advances, however, require written approval from the Executive Officer of the Department to which the traveller is attached.
- (ii) In no event will the amount of the travel advance requested by a traveller exceed the amount of per diem which would be earned in the period of estimated days of travel.

(b) Control over tickets purchased on transportation orders. Payment for tickets purchased by Headquarters for officials of the United Nations requires that the appropriate travel authorization is referenced. Copies of all transportation orders issued outside of Headquarters are required to be forwarded to Headquarters.

(c) Control over reimbursements to official travellers for personal expenses including travelling per diem.

- (i) Reimbursement requires preparation, audit and approval by the Expenditure Control Section of an official reimbursement voucher signed by the traveller and accompanied by a statement giving his full itinerary.
- (ii) Deducted from the amount of expenses claimed will be all advances made to him whether at Headquarters or abroad. Advances made abroad are controlled by inter-office vouchers received and charged to the individual account receivable of the traveller.
- (iii) Individual account card also a control over duplication of payments.

3. Control over daily living and installation allowances

(a) Authorization to pay - Receipt of Form P25 from Bureau of Personnel.

(b) Control over duplication of payments to individual by verification against individual payee cards.

(c) Control over entitlement of Staff Members to per diem for days served is based on time and attendance reports from Departments concerned which are reviewed by the Expenditure Control Section.

(d) Control over per diem subsistence allowances to entitled members of Committees or Commissions is based upon certification of their attendance by the Secretary of the Committee etc., who is normally an officer of the Secretariat.

(e) Control over accuracy of payment based on audited roster lists prepared by Expenditure Control Section and reconciled with last payment.

4. Control over salary advances

(a) Authorization to pay. Notification from the Bureau of Personnel as to amount and rate of liquidation.

(b) Control over repayment. Staff Accounts Section notified by Expenditure Control Section to charge Staff Members' payroll account.

5. Transfer of funds to branch offices

Authority to transfer. Approval given by the Chief of the Division in each instance.

6. Control over the routing of documents; (protection against loss of accounting records, expediting of important documents, etc.)

Documents Control Unit is responsible for assembly and routing of all financial documents supporting or pertaining to expenditures. Priority matters are given special attention. Registers of incoming documents, including purchase orders and vendors' invoices, are maintained for identification of same.

PART II. STAFF ACCOUNTS SECTION

A. CONTROL OF PAYMENTS OF REGULAR SALARY AND ALLOWANCES

1. The Personnel Bureau is the authority prescribed to furnish the authorizations in respect of the following:

(a) to open a pay account;

(b) to change the pay status of any staff member (including terminations and official changes of assignment not affecting salary);

(c) to pay representation allowances.

B. CONTROL OVER PAYMENTS FOR OVERTIME AND NIGHT DIFFERENTIAL HOURS

1. Authorization of overtime (Form F28) and certification of overtime hours (Form F29) is required from duly authorized officials of departments concerned.

2. Time and attendance reports from departments concerned must substantiate authorization and certification. (Under proposed revision of this procedure separate authorization and certification forms would be eliminated and time

3. Authorization to pay night differential - Time and attendance reports, duly authorized, are received from departments concerned.

C. CONTROL OVER DEDUCTIONS FROM PAYROLLS

1. Provident Fund. Authorization for six per cent Provident Fund deductions, automatic upon receipt of personnel action Form P8.

2. Allotments to Dependents. Written authority from staff members concerned.

3. Repayments of Salary Advances. Written authorization from Expenditure Control Section is required setting out amount and frequency of deductions.

4. Hospitalization Protection. Authorization required in each instance is membership card received from Associated Hospital Service.

5. Rental Deductions. Authorization: Notification from the Bureau of Personnel showing the amount of bi-weekly deduction to be charged.

D. CONTROL OVER ACCURACY OF PAYROLL

1. Payroll is computed according to Divisions and Departments. Control for each Division is maintained showing previous normal total, all changes, new normal total and actual pay. Control totals are reconciled with payroll totals and there are independent postings to controls and to pay cards.

PART III. BUDGET ACCOUNTS SECTION

A. DIRECT CONTROL OVER COMMITMENTS OF UNITED NATIONS FUNDS

ASSURANCE OF AVAILABILITY OF ALLOTMENT BALANCES

1. Purchase Orders. All purchase orders issued by Conference and General Services are referred to Budget Accounts Section for certification of availability of funds. The following requirements must be fulfilled:

(a) An allotment should exist covering the type of expenditure proposed.

(b) Unobligated balance of the allotment must be sufficient to cover the amount of the proposed obligation.

(c) No purchase order is to be approved by the Budget Accounts Section unless the signatures of authorized officials appear in the appropriate spaces.

(d) Purchase orders are not to be issued until the obligation has been entered in allotment ledger and copies of the purchase order stamped "obligated".

2. Travel Authorizations. The requirements for approval of travel authorizations are the same as those for purchase orders.

3. Miscellaneous Obligation Documents. Documents such as contracts, leases and any other correspondence which would commit the United Nations to an expenditure of funds must be reviewed by the Budget Accounts Section and a check made to see that an allotment exists for the purpose indicated and that sufficient funds are available in the unencumbered balance of such allotment to meet proposed expenditure.

B. RECORD CONTROLS OF ALLOTMENTS, OBLIGATIONS AND EXPENDITURES

1. Allotments

(a) Individual ledger accounts are maintained for each allotment showing initial and any additional allotments made.

(b) Authority for entry in ledger is the allotment advice from Bureau of Administrative Management and Budget.

2. Obligations

(a) All obligations against allotments are entered after approval by the Comptroller and are maintained in ledgers until approved expenditure documents are received.

3. Expenditures

(a) Liquidation of Allotments. Actual expenditures are entered in liquidation of obligations to which they refer. Authority for entry is approved voucher received from the Payment Control Section.

(b) Distribution of Expenditures. Object accounts are posted simultaneously with the postings in liquidation of obligations; expenditures are charged to appropriate object accounts to accumulate cost information.

4. Reconciliation

(a) Allotments. Balances of allotments are reconciled with pre-determined total in general ledger and the totals of allotments are reconciled with the records of the Bureau of Administrative Management and Budget.

(b) Obligations. Balance of unliquidated obligations are reconciled periodically with outstanding obligation documents on file.

(c) Expenditures. All expenditures are reconciled periodically with pre-determined control account in the general ledger. Expenditures recorded in the allotment ledger are reconciled with expenditures posted to object accounts.
