

FINANCIAL REGULATIONS OF THE
UNITED NATIONS

REPORT OF THE FIFTH COMMITTEE

Rapporteur: Mr. Th. AGNIDES (Greece)

1. In accordance with instructions given by the General Assembly at its forty-sixth plenary meeting held on 31 October 1946, the Fifth Committee has considered the question of financial regulations of the United Nations (documents A/85 and A/85/Corr.1; A/C.5/80, A/C.5/Sub.2/1 and A/C.5/77).
2. At the twenty-seventh meeting of the Fifth Committee, the Comptroller was asked to explain the alterations and additions in the Provisional Financial Regulations adopted by the General Assembly at the first part of its first session and submitted by the Secretariat for consideration and eventual adoption at the second part of its first session. Following upon the general discussion, the Delegation of France proposed amendments to twelve of the regulations. The Chairman asked that the representatives of the Secretariat confer with the Delegation of France to determine which of the amendments might be incorporated in the Provisional Financial Regulations to be submitted to this part of the first session of the Assembly and which of them might be postponed for subsequent consideration and included in the permanent regulations to be adopted by the General Assembly in 1947.
3. During the Committee's discussion of the revised draft, the Delegation of France asked that the Secretariat view be made clear with respect to Regulation 4. It asked whether, if the budget were to be voted by chapters and the detailed estimates of expenditures of each chapter

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attached for information only, the Secretary-General would be free to make transfers within the chapter from one article to another. The Delegation of France believed that such a procedure might be appropriate at the initial stage of the Organization but might not be wise for the future. The Comptroller stated that restrictions on transfers were covered by the budget resolution as provided for in Regulation 18 (now Regulation 19) of the Provisional Financial Regulations.

4. Considerable discussion also took place in the Committee on the question of the custody of funds of the Organization. Regulation 17 (now Regulation 18) provides that the Secretary-General shall designate the bank or banks in which funds of the Organization will be deposited. The Delegation of France requested information concerning American practice in connection with the deposit of public funds; the representative of Brazil stated that he believed that depository banks should be designated by the Secretary-General in collaboration with the Advisory Committee on Administrative and Budgetary Questions. The representative of the United States of America explained that banks in the United States were privately-owned but were under public control; he understood that the practice of the Secretary-General was to deposit the funds of the Organization in the Federal Reserve Bank in New York and to transfer only such funds as were needed for working purposes to an approved bank. In the light of this explanation, the Committee adopted the regulation as presented.

5. Regulation 23 (now Regulation 24) regarding the investment of funds of the United Nations was very fully discussed in the Committee, more particularly with reference to investment in gold and issues of the International Bank for Reconstruction and Development, which provision was added to the regulation after consultation with the Delegation of France. The representative of the Soviet Union stated that he believed

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that there was no occasion for investment of the funds in long-term securities such as those of the International Bank. The representative of the Union of South Africa pointed out that the experience of the League indicated that both short-term and long-term investments were necessary to take care of certain funds, such as the staff pension fund. On the proposal of the Chairman, this matter was referred to a Sub-Committee composed of the Union of Soviet Socialist Republics, the Union of South Africa, France and the United States of America, which was asked to submit a revised draft at the earliest possible moment. The Sub-Committee reported at the next meeting and its proposed re-draft of the regulation (A/C.5/Sub.2/1) was accepted unanimously.

6. The Delegation of France asked that certain rules of procedure of the General Assembly in connection with budgetary matters be included as an additional regulation after the present Regulation 4. This suggestion, with an amendment by the Soviet Union to delete the words "heading by heading" was adopted. The regulation, as amended, now reads as follows:

Regulation 5

"The budget and the report of the Advisory Committee shall be submitted to the General Assembly and referred to the competent Committee for consideration and report to the Assembly.

"The General Assembly shall vote the budget by the majority required under the provisions of Article 18, paragraph 2, of the Charter of the United Nations."

7. The representative of Brazil proposed that a further regulation be added concerning control of funds advanced to the International Court of Justice. The Comptroller assured the Committee that the Provisional Financial Regulations of the United Nations were applicable to the Court. It was therefore agreed that it was not necessary to add a special regulation on this point in the provisional regulations, but it was observed that a special clause should be added when the permanent financial regulations were adopted.

8. The Provisional Financial Regulations which were submitted to cover the period from the date of their approval by the General Assembly up to the end of the year 1947, were unanimously approved by the Fifth Committee. The Fifth Committee recommends, therefore, that the General Assembly adopt the following resolution:

FINANCIAL REGULATIONS OF THE UNITED NATIONS

THE GENERAL ASSEMBLY RESOLVES,

That the following provisional financial regulations be adopted and that the Secretary-General shall be instructed to submit draft financial regulations to the Advisory Committee on Administrative and Budgetary Questions for consideration and final adoption by the General Assembly at its regular session in 1947.

PROVISIONAL FINANCIAL REGULATIONS

These Provisional Financial Regulations are to cover the period from the date of their approval by the General Assembly up to the end of the year 1947.

THE FINANCIAL YEAR

Regulation 1

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

THE BUDGET

Regulation 2

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

Regulation 3

The budget shall be examined, before presentation to the General Assembly, by the Advisory Committee on Administrative and Budgetary Questions, which shall submit a report on the budget to all Members at least four weeks prior to the opening of the annual session of the

/General Assembly.

General Assembly.

Regulation 4

The budget 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;
- (b) a statement showing the amount to be contributed by each Member in accordance with the approved scale of contributions;
- (c) a statement of the estimated additional income under appropriate headings.

Regulation 5

The budget and the report of the Advisory Committee shall be submitted to the General Assembly and referred to the competent Committee for consideration and report to the Assembly.

The General Assembly shall vote the budget by the majority required under the provisions of Article 18, paragraph 2, of the Charter of the United Nations.

PROVISION OF FUNDS

Regulation 6

The budgetary requirements shall be financed from contributions from Members, in amounts to be determined by the General Assembly. Pending the receipt of such contributions the budget may be financed from the Working Capital Fund.

Regulation 7

The General Assembly shall determine the amount of the Working Capital Fund and any sub-divisions thereof.

Regulation 8

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

/Secretary-General

Secretary-General shall:

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

Regulation 9

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.

APPROPRIATION OF FUNDS

Regulation 10

The adoption of the budget by the General Assembly shall constitute an authorization to the Secretary-General to incur obligations and expenditures for the purposes, and during the period, for which credits have been voted and up to the amounts so voted. The Secretary-General shall cause an allotment in writing to be made from the appropriations approved by the General Assembly to the various headings of expenditures prior to the incurring of obligations, commitments or expenditures therefor. He shall cause a record to be kept of such allotments and all obligations incurred showing at all times the amount available under each heading.

INTERNAL CONTROL

Regulation 11

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;

(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 incur obligations and make payments on behalf of the Organization;

(f) maintain an internal financial control which shall provide for an effective current examination or review of financial transactions in order:

(i) to ensure the regularity of the receipt, disposal and custody of all funds and other financial resources of the Organization;

(ii) to ensure the conformity of all expenditures with the estimates voted by the General Assembly;

(iii) to obviate any uneconomic use of the resources of the Organization.

Regulation 12

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.

THE ACCOUNTS

Regulation 13

The accounts of the Organization shall be kept in the currency of the State in which the United Nations has its headquarters.

Regulation 14

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

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classifications as may be deemed necessary.

Regulation 15

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.

Regulation 16

The accounts shall consist of:

- (a) Budget accounts showing within the appropriations:
 - (i) the original allotments;
 - (ii) the allotments after modification by any transfers, carried out in accordance with the provisions of Regulation 18.
 - (iii) the obligations incurred;
 - (iv) the unobligated balances of allotments.
- (b) A cash account showing all cash receipts and actual disbursements made.
- (c) Separate accounts for the Working Capital Fund and any other fund which may be established.
- (d) Property records showing:
 - (i) capital acquisitions;
 - (ii) equipment and supplies purchased, used, and on hand.
- (e) Such records as will provide for a statement of assets and liabilities at 31 December of each financial year.

APPOINTMENT OF INTERNAL AUDITORS

Regulation 17

Auditors, who shall be persons not in the service of the United Nations, shall be appointed in a manner to be determined by the General Assembly. The Auditors shall be appointed for periods to be determined by the

/General Assembly.

General Assembly.

CUSTODY OF FUNDS

Regulation 18

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

TRANSFERS UNDER THE BUDGET DURING THE FINANCIAL YEAR

Regulation 19

Transfers by the Secretary-General within the budget may be made only to the extent permitted by the terms of the budget resolution adopted by the General Assembly.

AVAILABILITY OF APPROPRIATIONS

Regulation 20

The balance of appropriations remaining unobligated at 31 December of the financial year to which they relate shall be surrendered by consequential adjustment made in the budget next presented.

Regulation 21

Payments for outstanding obligations as at 31 December shall be made between 1 January and the last day of February and charged to the accounts of the previous financial year. At 1 March the unliquidated balance of such obligations shall be carried forward to the accounts of the then current financial year.

Regulation 22

Appropriations shall remain available, to the extent that obligations are incurred under them, for a period not exceeding three years from the first day of the financial year to which they relate. Any part of the appropriation remaining unexpended shall be surrendered, by adjustment in the budget next presented.

TRUST AND OTHER SPECIAL FUNDS

Regulation 23

Appropriate separate accounts shall be maintained for Trust or other

/special funds

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

INVESTMENTS

Regulation 24

The Secretary-General may make short-term investments of monies which are not needed for immediate requirements and will inform the Advisory Committee periodically of the investments which he had made.

COUNCIL RESOLUTIONS INVOLVING UNITED NATIONS EXPENDITURES

Regulation 25

No resolution involving expenditure from 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, together with an estimate of the costs involved in the specific proposal.
