

PROVISIONAL FINANCIAL REGULATIONS

(Item 18 of the Provisional Agenda for
the Second Part of the First Session)

Report of the Secretary-General

Introduction

1. At the First Part of the First Session, the General Assembly adopted Provisional Financial Regulations. These regulations have proved satisfactory from the point of view of initial operations. In general, however, the present regulations were designed to apply to the financial year 1946 and therefore they should be re-enacted with appropriate changes in order to make them applicable to the financial year 1947 and succeeding years. Further, a few additional rules are necessary to meet the needs of the financial administration. Notwithstanding the amendments and additions to the provisions, however, it is still desired to regard the regulations as provisional until further experience has been gained, and, in the light of that experience, to submit draft proposals for permanent Financial Regulations for the consideration of the General Assembly at its Second Annual Session in September, 1947.

Suggested Amendments to Present Regulations

2. The wording of the present provisional financial regulations is such as to restrict their application to the financial year ending 31 December 1946, and a number of them are no longer appropriate as they apply specifically to the provisional budget and the first annual budget of 1946. Action has therefore been taken to effect the deletion of certain regulations and to re-enact other regulations so as to extend their application to 1947 and succeeding financial years. A copy of the draft amended regulations is attached.

3. In the redrafting, matters of principle and the general substance of the

regulations have not been changed in any way, although in minor instances the wording has been altered to make clearer the intention underlying the rule.

4. The nature and extent of the changes are indicated hereunder:

(a) The present provisional financial regulations have been reduced from twenty-two to eighteen.

(b) Nos. 1, 16, 17 and 18 of the present regulations have not been altered but are now covered in Nos. 1, 12, 13 and 14 in the amended regulations.

(c) Nos. 2, 3 and 4 which refer to the Provisional Budget, and Nos. 8 and 9 which refer to the first annual budget, are now covered by Nos. 2 and 3 of the amended provisional financial regulations giving the rules general application to any financial year.

(d) No. 5, which also relates to the provisional budget, is covered in Nos. 5 and 6 of the amendments.

(e) No. 10, with slight amendments, is reflected in No. 4 of the amended regulations.

(f) Nos. 6 and 11, and Nos. 7 and 12 are reduced to one regulation each in the amendments and now appear as Nos. 7 and 8.

(g) Minor alterations in wording have been made in Nos. 13, 14, 15, 19, and 20 to 22 which now appear as Nos. 9, 10, 11, 15, and 16 to 18 of the amended regulations.

New Regulations Required

5. Additional provisional regulations are necessary to meet the requirements of the financial administration for the purpose of

(a) correlating the obligations basis of the budget to the accounting system;

(b) obtaining authority for the establishment of trust and other appropriate fund accounts;

- (c) granting the Secretary-General authority to invest monies which are not needed for immediate requirements

Effect of Obligations Basis

6. The Assembly approved a Provisional Budget under which appropriations were available to meet obligations incurred before 31 December 1946. The obligations basis has been retained in the proposed annual budgets for 1946 and 1947, without prejudice to its review thereafter, taking into consideration the situation which may arise if a heavy capital programme is undertaken. As long as the obligations basis is retained it is necessary to determine:

- (a) the period for which the accounts of any financial year shall remain open, and
- (b) the period for which appropriations shall remain available.

It is also necessary to determine at what stage surplus appropriations shall be surrendered. Accordingly it is suggested that the General Assembly should approve the proposed Financial Regulations Numbers 19 to 21 as under:

Regulation 19

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 20

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 21

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 Suspense Funds

7. The Secretary-General should be empowered to establish Trust and other

appropriate Funds to which unclaimed monies or cash suspense items may be credited or to cover major projects such as the current Automobile and Housing Projects where there is a cycle of operations. Provision is made to insure that the purpose and limits within which the funds shall operate shall be clearly defined in each case. The proposed Regulation No. 22 reads as follows:

Regulation 22

Appropriate separate accounts shall be maintained for Trust or other 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 fund established shall be defined by the appropriate authority.

Investment of Funds

8. It is proposed that the authority to invest funds not needed for immediate requirements should be vested in the Secretary-General by regulation. The proposed Regulation No. 23 reads as follows:

Regulation 23

Subject to such conditions as may be prescribed by the appropriate authority, the Secretary-General may invest monies which are not needed for immediate requirements provided that the investment shall be made in securities of or guaranteed by the Government of a Member Nation

SUGGESTED DRAFT RESOLUTION

9. The General Assembly resolves

That the proposed amendments to the Provisional Financial Regulations be adopted and that the Secretary-General shall submit the financial regulations for consideration and final adoption by the General Assembly at its next Session.

DRAFT PROVISIONAL FINANCIAL REGULATIONS

(It is proposed that these Regulations be adopted 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.

Regulation 4

The budget shall be accompanied by:

- (a) a summary of the estimated expenditure divided into appropriate general headings;
- (b) a statement showing the amount to be contributed by each Member in accordance with the approved scale of contributions; and
- (c) a statement of the estimated additional income under appropriate headings.

PROVISION OF FUNDS

Regulation 5

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 6

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

Regulation 7

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 of advances to Working Capital Fund;
- (c) request them to remit their contributions and any advances to the Working Capital Fund.

Regulation 8

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 9

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 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 expenditure 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 10

The Secretary-General shall:

- (a) establish detailed financial rules and budgetary 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 to ensure:

- (i) the regularity of the receipt, disposal and custody of all funds and other financial resources of the organization;
- (ii) the conformity of all expenditures with the estimates voted by the General Assembly; and
- (iii) to obviate any uneconomic use of the resources of the organization.

Regulation 11

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

THE ACCOUNTS

Regulation 12

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

Regulation 13

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.

Regulation 14

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 15

The accounts shall consist of:

- (a) Budget Accounts showing within the appropriations:
 - (i) the original allotments;
 - (ii) the allotments after modification by any transfers;
 - (iii) the obligations incurred; and
 - (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; and
- (e) Such records as will provide for a statement of assets and liabilities at 31 December of each financial year.

APPOINTMENT OF EXTERNAL AUDITORS

Regulation 16

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.

CUSTODY OF FUNDS

Regulation 17

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 18

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 19

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

Regulation 20

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 21

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.

Regulation 22

Appropriate separate accounts shall be maintained for Trust or other Funds for the purpose of accounting for unclaimed monies, monies received

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

Regulation 23

Subject to such conditions as may be prescribed by the General Assembly the Secretary-General may invest monies which are not needed for immediate requirements provided that the investments shall be made in securities of or guaranteed by the government of a Member Nation.
