



**Executive Board of the
United Nations Development
Programme and of the
United Nations Population Fund**

Distr.: General
Date: 24 July 2009

Original: English

Second regular session 2009

8 to 11 September 2009, New York

Item 10 of the provisional agenda

UNFPA – Financial, budgetary and administrative matters

UNITED NATIONS POPULATION FUND

REVISION OF UNFPA FINANCIAL REGULATIONS AND RULES

Report of the Executive Director

Summary

The General Assembly, through its resolution 60/283 of July 2006, approved the adoption of the International Public Sector Accounting Standards (IPSAS) to replace the United Nations System Accounting Standards (UNSAS). IPSAS represents international best practice in accounting for public-sector and not-for-profit organizations. At its first regular session in January 2007, the Executive Board adopted decision 2007/10 on the report on the implementation of IPSAS and requested the Executive Director to inform the Board of progress in the transition to IPSAS.

Under IPSAS, UNFPA will change from a modified accrual method of accounting to a full accrual method of accounting. IPSAS will improve the quality and comparability of financial information across the United Nations system, serving as a catalyst for greater harmonization of financial policies and procedures, and the presentation of financial statements. The result will be improved transparency and accountability.

UNFPA will adopt IPSAS in a phased approach and expects to be fully compliant with IPSAS by 2012. To allow UNFPA to begin adopting IPSAS in 2010, revisions to the UNFPA Financial Regulations and Rules are necessary. The proposed revisions are contained in the present report. In addition to the IPSAS-related changes, UNFPA is proposing certain new regulations to achieve greater harmonization with other United Nations funds and programmes. These regulations pertain to sector budget support and pooled funds, retention of interest and investment revenue, and funding of financial authorizations for regular resources and trust funds.

The Executive Board may wish to take note of the present report and approve the revisions to the UNFPA Financial Regulations and take note of the changes to the Financial Rules as contained therein.



I. INTRODUCTION

1. The General Assembly, through its resolution 60/283 of July 2006, approved the adoption of International Public Sector Accounting Standards (IPSAS) to replace the United Nations System Accounting Standards (UNSAS). At its first regular session in January 2007, the Executive Board adopted decision 2007/10 on the report on the implementation of IPSAS and requested the Executive Director to inform the Board of progress of the transition to IPSAS. Beginning in 2010, UNFPA will adopt IPSAS in a phased approach until 2012, when UNFPA expects to be fully compliant with IPSAS.

2. IPSAS represents the best international practice in accounting for public-sector and not-for-profit organizations. Under IPSAS, UNFPA will change from a modified accrual method of accounting, as practised under UNSAS, to a full accrual method of accounting. IPSAS will improve the quality and comparability of financial information across the United Nations system, serving as a catalyst for greater harmonization of financial policies and procedures, and the presentation of financial statements. The result will be improved transparency and accountability.

3. To allow UNFPA to begin adopting IPSAS in 2010, revisions to UNFPA Financial Regulations and Rules are necessary. The proposed revisions are contained in the present report.

4. In addition to the IPSAS-related changes, UNFPA is proposing certain new regulations to achieve greater harmonization with other United Nations funds and programmes. These regulations pertain to sector budget support and pooled funds, retention of interest and investment revenue, and funding of financial authorizations for regular resources and trust funds.

II. CHANGES IN TERMINOLOGY

5. The revisions listed below include several changes in terminology to reflect the wording used by IPSAS rather than that used by UNSAS. Effective with the 2010 financial statements, UNFPA will use the IPSAS terms “expense” and “revenue” and will no longer use the UNSAS terms “expenditure” and “income”. These UNSAS terms are also used in the Financial Regulations and Rules and, therefore, to preserve consistency in terminology between the financial statements and the Financial Regulations and Rules, UNFPA proposes to delete the terms “expenditure” and “income” and instead use the IPSAS terms “expense” and “revenue”. The new terms are not the equivalent of the existing terms. For example, the term “expenditure” is currently defined in the Regulations as “the sum of disbursements and unliquidated obligations”. The IPSAS term “expense”, on the other hand, includes disbursements and goods/services received but does not include commitments. Therefore, the proposed revisions use the words “expenses” and/or “commitments” to replace the term “expenditures”. In addition, the term “multi-year funding framework” is being replaced by the term “strategic plan”.

6. UNFPA is also proposing to delete the words “biennial” and “biennium” which are currently used to refer to the period of the support budget and the period of the audited financial statements. Deleting these words provides flexibility in determining the budget period of the support budget, although any change to the existing biennial period would be made only with the advance approval of the Executive Board. With regard to the period of the audited financial statements, the 2010-2011 financial statements submitted for audit will be prepared on a biennial basis. Thereafter, the financial statements will be submitted for audit on an annual basis.

III. REVISIONS TO SPECIFIC REGULATIONS AND RULES

7. The revisions to the Financial Regulations and Rules are detailed on the following pages. For ease of reference, new text that has been added is underlined and text that has been deleted is marked by a strikethrough line. The reasons for the changes are indicated below each revision, except for the revisions to the terms noted above.

IV. RECOMMENDATION

8. The Executive Board may wish to take note of the present report (DP/FPA/2009/12) and approve the revisions to the UNFPA Financial Regulations and take note of the changes to the Rules as contained therein.

Regulation 1.3: *These Regulations shall become effective on ~~1 March 2005~~ 1 January 2010.*

Rule 101.1 (d) These Rules shall come into effect on ~~1 May 2005~~ 1 January 2010; any financial policies and procedures in effect on that date, except where they are in conflict with the Regulations and these Rules, shall remain in effect until cancelled, replaced or amended by the Executive Director or an authorized delegate.

Regulation 2.2: *For the purposes of the Financial Regulations of UNFPA, unless the context requires otherwise, the terms set out in this Regulation shall have the definitions assigned to them as specified below. These definitions are supplemented by the terms used under the International Public Sector Accounting Standards. The terms are listed in alphabetical order.*

Reason for addition: The new wording allows the Regulations and Rules to apply IPSAS definitions without specifically including them in the Regulations and Rules document. IPSAS definitions will be used starting in 2010 for preparing financial statements for 2010-2011 in compliance with UNSAS and thereafter in full compliance with IPSAS.

Regulation 2.2 definition of "allotment" *shall mean a financial authorization issued by the Executive Director to ~~incur expenditures~~ enter into commitments and incur expenses for specific purposes related to the ~~biennial~~ support budget and within specified limits, during a definite period;*

Regulation 2.2 definition of "appropriation" *shall mean the total amount approved by the Executive Board for specified purposes in the current ~~biennial~~ support budget against which ~~obligations may be~~ commitments may be entered into and expenses incurred for those purposes up to the amounts so approved;*

Regulation 2.2 definition of "biennial support budget" *shall cover the budget ~~over a period of two calendar years~~ for one or more years for the costs of programme support and management and administration services of UNFPA.*

Regulation 2.2 definition of "budget" *shall mean a financial authorization issued by the Executive Director to ~~incur~~ make commitments and to ~~make expenditures~~ incur expenses for specific purposes related to UNFPA activities and within specified limits, during a definite period.*

Regulation 2.2 definition of "capital assets" *~~shall mean assets intended for long-continued use or possession, e.g., land, buildings and non-expendable equipment;~~*

Reason for deletion: The phrase “capital assets” is not used in any Regulations or Rules.

Regulation 2.2 definition of "commitment" *shall mean an engagement ~~involving a liability against the resources of one or more future years entered into by the Executive Director, or by an executing agency or, under the harmonized operational modalities, implementing partner, within the budgets issued to it,~~ such as a contract, agreement or undertaking, that has been entered into for the current year or one or more future years in respect of a programme activity, or the support budget;*

Reason for revision: The word “commitment” is defined because of its use in budget utilization.

Regulation 2.2 definition of "disbursement" *shall mean the ~~actual~~ amount paid.*

Reason for revision: An amount paid can only be actual and therefore the word “actual” is redundant.

Regulation 2.2 definition of "~~expenditure~~" shall mean total charges incurred whether paid or unpaid, i.e., the sum of disbursements and unliquidated obligations for the current year in respect of programme activities and for the biennium in respect of the biennial support budget.

Regulation 2.2 definition of "~~multi-year funding framework~~" (MYFF) shall mean an integrated four-year financial plan for the planning and management of total resources and by which the Executive Board authorizes the use of funds.

Regulation 2.2 definition of "net budget" shall mean the biennial support budget that reflects estimates of payments to be received which offset, in whole or in part, the related gross budget estimates.

Regulation 2.2 definition of "obligation" shall mean an engagement, such as a contract, agreement or undertaking that has been entered into, involving a liability against the resources of the current year in respect of a programme activity, or of the current biennium budget period in respect of the biennial support budget.

Regulation 2.2 definition of "partially funded" shall mean the authority to allocate funds against current or anticipated future years' income revenue;

Reason for revision: The word “current” is added to the definition to clarify that UNFPA may issue financial authorizations against regular resources for current and future years even though the regular resource contributions have not yet been received by UNFPA.

Regulation 2.2 definition of "programme" within the context of the form of presentation of the biennial support budget shall mean the direct inputs needed to achieve the goals of a specific project or programme for development cooperation. This may typically include experts, support personnel, supplies, property, plant and equipment, subcontracts, cash assistance and individual or group training;

Reason for revision: The addition of “property” and “plant” provide consistency with the IPSAS standard on “property, plant and equipment”.

Regulation 2.2 definition of "regular resources" shall mean resources available to UNFPA that are commingled and untied. These shall include ~~pledges of revenue from voluntary contributions, other governmental or intergovernmental payments to UNFPA, other contributions from non-governmental sources, including foundations, private-sector organizations and individuals, interest earnings and miscellaneous income revenue~~.

Regulation 2.2 definition of "sector budget support" shall refer to the financial contribution to a government budget, managed by a government entity for a specific set of sector or programme results. A pooled fund is designed for financing expenses within a sector or a programme through the pooling of the financial resources by the participating partners. A pooled fund would be contracted out by government to be managed by an agreed party.

Reason for addition: UNFPA is currently practising sector budget support, and the addition of this definition strengthens that practice. In addition, the Regulation provides harmonization and standardization with UNDP on this Regulation.

Regulation 2.2 definition of "strategic plan" shall mean the document that sets the overall direction and provides the framework for guiding UNFPA support to programme countries to achieve their nationally owned development objectives.

Regulation 2.2 definition of "Trust Fund" shall mean a fund or funds accepted by UNFPA under the terms of these Financial Regulations and Rules to finance activities specified by the contributor, which activities must be consistent with the policies, aims and activities of UNFPA.

Reason for revision: The word "Rules" has been added because references to the trust fund are made in both the Regulations and the Rules.

Regulation 2.2 definition of "UNFPA Account" shall mean the Account established for the purpose of accounting for all ~~income~~ revenue to UNFPA, but excluding funds of Trust Funds established by the Executive Board or the Executive Director;

Regulation 2.2 definition of "~~unliquidated obligation~~" shall mean ~~an obligation or that portion of an obligation which is not yet disbursed.~~

Reason for deletion: IPSAS does not use the term "unliquidated obligation". UNFPA has adopted the "delivery principle for goods and services", thereby eliminating the concept of unliquidated obligations.

~~*Rule 104.1:* A record of pledges shall be maintained in the currency pledged. Pledges made in other than U.S. dollars shall be reported in the equivalent of U.S. dollars converted at the United Nations operational rate of exchange in effect on the date of the pledge.~~

~~*Rule 104.2:* Payments of voluntary contributions in other than U.S. dollars shall be recorded as income expressed in U.S. dollars at the United Nations operational rate of exchange in effect on the date of payment.~~

~~*Rule 104.3:* Gains or losses resulting from exchange adjustments arising from payments of voluntary contributions shall be recorded in a separate account as an offset to these contributions. All other exchange adjustments (net) shall be recorded as miscellaneous income or expenditure in the accounts.~~

Reason for deletion: Rules 104.1, 104.2 and 104.3 have been deleted since they deal with accounting treatment which will be specified by IPSAS.

Regulation 4.8: (b) Contributions in cash towards the costs of UNFPA country offices shall be credited to the *biennial* support budget of UNFPA.

Regulation 4.13: Cost-sharing agreements and contributions thereunder shall be subject to the following conditions:

(a) Contributions would be denominated for accounting purposes in United States dollars; however, UNFPA would accept payment in the local currency of a recipient Government to the extent that such currency could be used to meet project ~~expenditure~~ expense requirements;

Heading: Miscellaneous ~~income~~ revenue

Regulation 4.14: All ~~income~~ revenue to UNFPA shall be classified as miscellaneous ~~income~~ revenue, except:

- (a) The ~~income~~ revenue from the items specified in Regulations 4.1 through 4.13;
- (b) Interest ~~income~~ revenue;
- (c) Direct refunds of ~~expenditures~~ expenses in respect of projects during the approved duration of a project, i.e., before the final allocation for UNFPA assistance to a project is made;
- (d) Direct refunds of ~~expenditures~~ expenses in respect of the ~~biennial~~ support budget during the current ~~biennium~~ budget period;
- (e) Advances or deposits to Trust Funds;
- (f) Revenue derived from the Staff Assessment Plan; and
- (g) Amounts otherwise designated to be credited to the ~~biennial~~ support budget, including, inter alia, ~~income~~ revenue derived from recovery of indirect costs and net ~~income~~ revenue relating to procurement services provided to third parties.

Regulation 4.15: Interest or investment revenue with respect to Special Accounts and Trust Funds shall be retained unless otherwise authorized by the Executive Director.

Reason for addition: A new Regulation 4.15 is presented. The new wording for this Regulation provides harmonization and standardization with UNICEF on the treatment of interest or investment revenue. Meanwhile, the text from the earlier Regulation 4.15 is revised and renumbered as Regulation 4.16.

Heading: Refunds of ~~expenditures~~ expenses

Rule 104.6:

- (a) Refunds of ~~expenditures~~ expenses financed from a given ~~biennial~~ support budget, including refunds obtained as proceeds of the sale of ~~equipment and supplies~~ assets, shall be credited to the accounts originally charged if received in the same financial period. Refunds subsequently received shall be credited to miscellaneous ~~income~~ revenue.
- (b) Refunds of project ~~expenditures~~ expenses during the life of a project, i.e., before the project is financially closed, including refunds obtained as proceeds of the sale of ~~equipment and supplies~~ assets relating to that project, shall be credited to the project account originally charged. Refunds subsequently received shall be credited to miscellaneous ~~income~~ revenue.

Reason for revision: The addition of the word “assets” clarifies, from a budget utilization perspective, the treatment of proceeds from the sale of assets.

Regulation 4.156: *Miscellaneous ~~income~~ revenue shall be credited to the UNFPA Account, as defined in Regulation 2.2 U (ii), or to other funds administered by UNFPA to which the ~~income~~-revenue accrued or from which it was derived.*

Heading: Return of miscellaneous ~~income~~ revenue by executing agency and implementing partner

Rule 104.7: Miscellaneous ~~income~~ revenue attributable to UNFPA activities which accrues to the accounts of an executing agency or implementing partner, if any, shall be attributed at the end of each financial year to the UNFPA Account or to the Trust Fund account to which it relates.

Regulation 5.2: *The purpose and limits of each Trust Fund shall be clearly defined at the time the fund is established. ~~and, unless otherwise specified by the Executive Board, Trust Funds shall be accepted only on a fully funded basis.~~*

Reason for deletion: The deleted portion of the Regulation is being replaced with the new Regulation 5.5.

Rule 105.1: ~~Expenditures or commitments for such trust funds may be authorized as specified by the agreement between the donor(s) and UNFPA and the availability of financial resources in the form of cash received, an irrevocable letter of credit or, subject to guidelines established by the Executive Board, an agreement signed by UNFPA and the donor.~~

Reason for deletion: This Rule is being replaced by the new Regulation 5.5.

Regulation 5.4: *Funds received by UNFPA under Regulation 14.7 for procurement of supplies, equipment and services on behalf and at the request of Governments, specialized agencies or other intergovernmental or non-governmental organizations shall be treated as Trust Funds. The ~~income~~ revenue relating to procurement services provided to third parties shall be used to meet the ~~direct~~ cost of these services. ~~At the close of a biennium, any excess of income shall be credited to the biennial support budget.~~*

Reason for deletion: The last sentence has been deleted since it deals with accounting treatment. Accounting treatment will be specified by IPSAS.

Rule 105.3: The Executive Director shall, in the annual financial statements, report for each Trust Fund the balance on hand at the beginning of the year, the total of contributions and other ~~income~~-revenue, including interest received, and total ~~expenditures~~ expenses incurred during the year, as well as the balance remaining at the end of the year.

Rule 105.4: (d) Should payments of Trust Fund contributions towards a specific activity not be received in accordance with the agreed payment schedule, or the necessary additional financing required to cover unforeseen increases in ~~expenditures~~ expenses or commitments not be forthcoming from the donor or donors, the Executive Director may modify or terminate the activity concerned.

Regulation 5.5: Contributions to Trust Funds shall be subject to the following conditions:

(a) Contributions shall be paid in advance of the allocation made for the implementation of planned UNFPA programme activities, except as provided under the terms of Regulation 5.5(b);

(b) Notwithstanding the provision of Regulation 5.5(a), allocations may be made on the basis of receivable earmarked contributions, in accordance with risk guidelines established by the Executive Director.

Reason for addition: A new Regulation 5.5 is presented. The addition provides a Regulation in support of the risk guidelines for co-financing agreements established in 2006 and also provides harmonization and standardization with UNDP on the same Regulation. Meanwhile, the earlier Regulation 5.5 is renumbered as 5.6.

~~Regulation 5.5:~~ Regulation 5.6: The Executive Director shall require reimbursement of indirect costs up to the rates authorized by the Executive Board.

Reason for revision: The Regulation number has been changed to accommodate new Regulation 5.5 above.

~~Regulation 6.1: The planning period, for the purposes set forth in Article VII, shall be defined in the multi-year funding framework strategic plan.~~

Regulation 6.3: The financial period for the purpose of incurring and accounting for ~~expenditures~~ expenses in respect of programme activities, including reimbursement of related indirect costs, shall consist of a single calendar year.

Heading: Period for the ~~biennial~~ support budget

~~Regulation 6.4: The financial period for the purpose of both the proposed utilization of resources and the incurring and accounting for ~~expenditures~~ expenses in respect of the ~~biennial~~ support budget shall consist of two consecutive calendar years (hereinafter referred to as a biennium), the first of which shall be an even year be established in consultation with the Executive Board to be one or more years.~~

~~Regulation 7.1: The Executive Director shall submit to the Executive Board for its approval a ~~multi-year funding framework~~ strategic plan for the utilization of its expected resources during the forthcoming planning period.~~

~~Regulation 7.2: The ~~multi-year funding framework~~ strategic plan shall set forth the goals, outcomes and projected financial requirements of UNFPA, together with full information as to the main directions of policy which UNFPA intends to pursue throughout the planning period. It shall include a multi-year estimate of resources and programme costs.~~

~~Regulation 7.3: Subject only to the maintenance on a continuous basis of the reserves set forth under Article XII, all resources available to UNFPA after provision has been made for the ~~biennial~~ support budget, shall be available to the maximum extent possible for programme activities.~~

~~Regulation 7.4: In allocating the resources available for programme activities as described in Regulation 7.3, the Executive Director shall be guided by the ~~multi-year funding framework~~ strategic plan as approved by the Executive Board.~~

Regulation 7.5: Financial authorizations against UNFPA regular resources shall be issued on a partially funded basis.

Reason for addition: The addition of new Regulation 7.5 allows for the issuance of allocations against regular resources based on a signed enforceable agreement if cash has not yet been received. In addition, the Regulation provides harmonization and standardization with UNDP on the Regulation.

Regulation 7.6: The Executive Director shall establish the policies and procedures for UNFPA participation in sector budget support and pooled funds. The policies and procedures shall provide that UNFPA may make financial contributions to either sector budget support or pooled funds. The policies and procedures shall provide for UNFPA reporting to the Executive Board on the financial status of funds obtained from or through UNFPA based on the totality of commingled resources contributed to the sector budget support or pooled fund, on the basis of programme and financial reporting established in the agreement among the participants to, and governing, the sector budget support or pooled fund. The expense recognition for UNFPA resources contributed to the sector budget support or pooled fund shall be on a prorated basis including the total contributions by the participating partners.

Reason for addition: UNFPA is currently practising sector budget support, and the addition of this new Regulation 7.6 strengthens that practice. In addition, the Regulation provides harmonization and standardization with UNDP on this Regulation.

Regulation 8.1: Consistent with the goals set forth in the ~~multi-year funding framework~~ strategic plan as approved by the Executive Board, the Executive Director shall plan for the delivery of UNFPA assistance in order to achieve the goals set out in the ~~multi-year funding framework~~ strategic plan, subject to resources reasonably expected to be available.

Rule 108.1:

(a) The Executive Director shall review, as often as may be necessary, the adequacy of the ~~multi-year funding framework~~ strategic plan in order to ensure that actual and planned ~~expenditures~~ expenses do not exceed resources available and correspond as closely as possible to the level of resources expected to be available for that purpose.

(b) Programme activities and ~~expenditures~~ expenses are approved and implemented subject to the availability of funds, i.e., cash at hand or irrevocable letter of credit.

Regulation 8.9: ~~The net recovery of indirect costs shall be credited to the biennial support budget.~~

Heading: Article IX – BIENNIAL SUPPORT BUDGET
Proposed biennial support budget

Regulation 9.1: ~~The biennial support budget as defined in Regulation 2.2 B (i) shall be prepared by the Executive Director and shall be linked to the multi-year funding framework~~ strategic plan for the current planning period.

Heading: Preparation of ~~biennial~~ support budget

Rule 109.1:

(a) The proposed ~~biennial~~ support budget, both for ~~income~~ revenue and for ~~expenditure~~ expenses, shall be prepared in accordance with the guidelines contained in document DP/1997/2, "Harmonization of Budgets: UNDP, UNFPA and UNICEF" and any revisions thereto.

(b) Budget ~~expenditures~~ expenses shall include salaries and other emoluments of staff members calculated, for the purposes of the proposed ~~biennial~~ support budget, on a net basis corresponding, for each grade, to the net salary scales approved for United Nations staff members of the same grade by the General Assembly.

(c) The Executive Director, as authorized to do so by decision of the Executive Board at the time of its approval of the ~~biennial~~ support budget, may transfer appropriations between appropriation lines within the ~~biennial~~ support budget, within authorized limits.

(d) The proposed ~~biennial~~ support budget shall contain provision to reimburse UNFPA staff members for income taxes levied on them in respect of earnings derived from employment with UNFPA.

Regulation 9.2: *The ~~biennial~~ support budget shall cover proposed ~~expenditures~~ commitments, expenses and anticipated ~~income~~ revenue related to the ~~biennial~~ support budget and shall be presented in United States dollars.*

Reason for revisions: The support budget will cover proposed legally binding contracts with third parties such as purchase orders and contracts that have been approved but not yet received.

Regulation 9.3: *The Executive Director shall, at each session of the Executive Board immediately prior to the commencement of a ~~biennium~~ budget period, submit his/her proposed ~~biennial~~ support budget for the coming ~~biennium~~ budget period. This proposed ~~biennial~~ support budget shall be transmitted to all Members of the Executive Board at least six weeks prior to the opening of that session of the Executive Board.*

Regulation 9.4: *The Executive Director shall also transmit the proposed ~~biennial~~ support budget to the Advisory Committee for examination and report at the same time as it is transmitted to Members of the Executive Board under Regulation 9.3 above.*

Regulation 9.6: *The Executive Board shall, at the session immediately prior to the commencement of a ~~biennium~~ budget period, adopt the ~~biennial~~ support budget for the following ~~biennium~~ budget period.*

Rule 109.2: The Director, Division for Management Services, shall issue annual guidelines concerning budget allotments and ~~expenditures~~ expenses.

Heading: Form of the proposed ~~biennial~~-support budget

Regulation 9.7: *The proposed ~~biennial~~-support budget shall be prepared in accordance with the guidelines approved by the Executive Board, and shall be accompanied by such information annexes*

and explanatory statements as may be requested by the Executive Board or as the Executive Director may deem necessary and useful.

Regulation 9.8: *Subsequent to a session of the Executive Board in the second year of ~~a biennium~~ the budget period, the Executive Director may utilize a budgetary contingency provision of up to three per cent (3%) of the approved gross appropriation for unforeseen requirements resulting from currency movements, inflation or decisions of the General Assembly. Such usage shall be reported to the Executive Board at its next regular session through the Advisory Committee.*

Rule 109.3: Subject to the provisions in Regulation 9.8 the Executive Director is authorized to commit funds in excess of the approved gross appropriations to a maximum of 3% and is required to report such ~~over-expenditures~~ expenses to the Executive Board through the Advisory Committee.

Heading: Supplementary ~~biennial~~-support budget proposals

Regulation 9.9: *Supplementary proposals to amend the ~~biennial~~-support budget may be submitted by the Executive Director whenever necessary.*

Regulation 9.10: *The Executive Director shall prepare supplementary proposals to amend the ~~biennial~~ support budget in a form consistent with the approved ~~biennial~~-support budget and shall submit such proposals to the Executive Board. They shall also be submitted to the Advisory Committee for examination and report thereon to the Executive Board.*

Heading: Supplementary ~~biennial~~-support budget proposals

Regulation 10.2: *Budgets issued by the Executive Director which authorize the incurring of ~~expenditures~~ expenses and the entering into of commitments, shall constitute a ceiling on ~~expenditures~~ expenses for the current year and on commitments for future years in connexion with UNFPA assistance to the project for which the budget was given.*

Regulation 10.3: *Budgets shall be available for ~~expenditure~~ expenses and for commitment for the duration of the project to which they relate. Following project completion, the balance of the unspent funds shall revert to the UNFPA Account.*

Regulation 10.4: *Within the limit of the total annual estimated programme ~~expenditure~~ expenses, the Executive Director shall be authorized to incur ~~expenditures~~ expenses above or below the individual annual estimates made for each project in accordance with the actual progress and requirements of such projects.*

Rule 110.1:

(a) The Executive Director may approve budgets on either an annual or a multi-year basis, in accordance with the ~~multi-year funding framework~~ strategic plan, to cover ~~expenditures~~ expenses that may be incurred with respect to country and intercountry projects financed from the UNFPA Account. Such budgets shall in each case be subject to the availability of funds.

(b) Subject to the ~~multi-year funding framework~~ strategic plan as approved by the Executive Board and to the provisions of Regulation 8.2 and Rule 108.1, the Executive Director may, from time to time, approve revisions of the approved budgets referred to in subparagraph (a) including:

(i) Revisions for the purpose of reflecting changes in the rate of actual ~~expenditure~~ expenses on a project, with a consequent rephrasing of inputs to the project from one year to another; ~~or~~

(c) The Executive Director shall monitor closely the need for such revisions in consultation with the executing agency and/or implementing partner (if any) and the recipient Government, and, subject to the overall limits set out in the ~~multi-year funding framework~~ strategic plan, shall give effect to such changes in budgets as may be necessary in order to ensure the optimum utilization of all resources available to UNFPA.

Rule 110.3:

(a) Savings/deficits on the liquidation of obligations charged to financially completed projects shall be credited/charged to the UNFPA Account under Miscellaneous ~~Income~~ Revenue or to other funds administered by UNFPA from which the savings/deficit was derived.

(b) Unforeseen disbursements or refunds in respect of financially completed projects shall be charged/credited to the UNFPA Account under Miscellaneous ~~Income~~ Revenue or to other funds administered by UNFPA from which the disbursement/refund derived.

Regulation 10.5: *The final budget for UNFPA's assistance to a project made under the provisions of Regulation 10.3 above shall remain available for the period of time required to discharge any outstanding ~~legal obligation~~ commitments of the project. When all ~~legal obligations~~ commitments against the budget have been discharged, any balance of funds advanced shall be reimbursed to UNFPA.*

Reason for revision: Under the delivery principle, it is the “commitment” in the form of a purchase order that is approved but not yet received that will need to remain available to be discharged.

Heading: ARTICLE XI. APPROPRIATIONS FOR THE ~~BIENNIAL~~ SUPPORT BUDGET

Regulation 11.1: *Appropriations for the ~~biennial~~ support budget approved by the Executive Board shall constitute an authorization to the Executive Director to ~~incur obligations~~ enter into commitments and incur expenses and to make payments for the purposes for which the appropriations were approved and up to the amounts so approved.*

Reason for revision: Under IPSAS “appropriations” constitute an authorization to enter into a commitment in the form of a purchase order that is approved but not yet received and an expense in the form of a receipted purchase order or disbursement.

Heading: Appropriations for the ~~biennial~~-support budget

Rule 111.1:

(a) Subject to the provisions in Regulation 9.8, the Director, Division for Management Services, shall be responsible for ensuring that all ~~expenditures~~ expenses and commitments relating to the ~~biennial~~ support budget as approved by the Executive Board remain within the appropriations and are incurred and entered into, respectively, only for the purposes approved. He/she shall at the beginning of

each ~~biennial~~ budget period make allotments of funds on a basis that conforms to the main objects of ~~expenditure~~ expenses approved by the Executive Board.

(b) The Director, Division for Management Services, may increase or decrease the amount of an allotment as required. No office may transfer allotments between ~~expenditure~~ expense categories, except with his/her written approval.

(c) At the end of the first calendar year of a ~~biennium~~ budget period any unencumbered balance of appropriations shall be carried over and remain available for ~~expenditure~~ expenses in the ~~second~~ following year, as authorized by the Director, Division for Management Services.

Rule 111.2: The Deputy Executive Director, ~~Management~~ External Relations, United Nations Affairs and Management¹, together with the Director, Division for Management Services, and the Director, Division for Human Resources, shall issue at the beginning of each year a staffing table indicating the number and grade of posts approved for that year by the Executive Board in the ~~biennial~~-support budget.

Regulation 11.2: *Appropriations for the ~~biennial~~ support budget shall be available for ~~obligation commitments and expenses~~ during the ~~biennium~~ budget period to which they relate.*

Reason for revisions: From a budget utilization perspective, “appropriations” shall be available following the end of the budget period for commitments in the form of purchase orders that have been dispatched but not yet received.

Regulation 11.3: *Appropriations shall remain available for 12 months following the end of the ~~biennium~~-budget period to which they relate to the extent that they are required to discharge any outstanding ~~obligation commitments~~ of the ~~biennium~~ budget period. The balance of the appropriations shall revert to the UNFPA Account.*

Reason for revisions: From a budget utilization perspective, “appropriations” shall be available for 12 months following the end of the budget period for commitments in the form of purchase orders that have been dispatched but not yet received.

Regulation 11.4: *At the end of the 12-month period provided in Regulation 11.3 above, the then remaining balance of any appropriation retained will revert to the UNFPA Account. Any ~~unliquidated obligation commitments~~ of the ~~biennium~~ budget period in question shall at that time be cancelled or, where the ~~obligation commitment~~ remains a valid charge, transferred as ~~an obligation~~ a commitment against current appropriation.*

Reason for revisions: Under the principle of receipt accrual commitments in the form of purchase orders dispatched but not yet received will be reviewed at the end of the period for validity. Valid commitments will be rolled over to the next fiscal year; commitments deemed invalid will be cancelled.

Heading: ~~Review of unliquidated obligations~~

¹N.B. The current title “Deputy Executive Director (External Relations, United Nations Affairs and Management)” replaces the old title “Deputy Executive Director (Management)” and its abbreviation “(DED-M)” and would also be reflected in the other UNFPA Financial Regulations and Rules that are not contained in the present document as they are not being revised in any other way.

Reason for deletion: IPSAS does not use the term “unliquidated obligation”. UNFPA has adopted the “delivery principle for goods and services”, thereby eliminating the concept of unliquidated obligations.

Rule 111.4: ~~Unliquidated obligations retained against appropriations of the previous biennium shall be reviewed periodically by the Director, Division for Management Services, within the 12 month period following the end of the biennium to which they relate, and to the extent that they are no longer valid or necessary they shall be cancelled.~~

Reason for deletion: IPSAS does not have the concept of an unliquidated obligation. Under the practice of purchase order rollover there are no longer commitments to be reviewed against prior period appropriations.

Regulation 11.5: *Transfers between the appropriation lines for the ~~biennium~~ budget period may be made by the Executive Director, subject to such limits as the Executive Board may specifically decide with the concurrence of the Advisory Committee.*

Regulation 12.1: *There shall be established a UNFPA Account to which all of the ~~income~~ revenue to UNFPA derived from the sources specified in Article IV and receivable in cash shall be credited and against which all ~~expenditures~~ expenses on behalf of UNFPA shall be charged, except for ~~income revenue~~ and ~~expenditures~~ expenses in respect of Trust Funds administered by UNFPA.*

Rule 112.1: The level of the operational reserve, to be established at the end of each ~~fiscal~~ year, shall be calculated at 20 per cent of total regular ~~income~~ revenue for that year.

Reason for deletion: The deletion simplifies the definition of when the level of the operational reserve needs to be calculated.

Regulation 13.6: *~~Income Revenue~~ derived from placement of funds ~~other than Trust Funds~~ shall be credited to the UNFPA Account, unless otherwise authorized by the Executive Director. ~~Income derived from investments of Trust Funds shall be credited in accordance with the terms and conditions of the Trust Funds concerned.~~*

Reason for revision: The added phrase “unless otherwise authorized by the Executive Director” would prevent interest earned on thematic trust funds from being transferred to UNFPA regular resources. The deletion of the second sentence makes the Regulation consistent with Regulation 4.15.

Regulation 14.1: *The Executive Director shall:*

(a) *Establish detailed financial rules and procedures in order to ensure effective financial administration and the exercise of economy, and circulate the Financial Rules to Members of the Executive Board for information at least 30 days before they become effective;*

(b) *Designate the staff who may make commitments on behalf of UNFPA;*

(c) *Designate the staff who record the receipt of goods and services on behalf of UNFPA;*

(d) Cause all commitments and recording of expense to be made on the basis of supporting documents which ensure that funds are available to cover the anticipated claim;

(e) Ensure that all commitment decisions are within the UNFPA mandate and provide best value for money to the organization;

(f) Designate the staff who may verify that payments may be made on behalf of UNFPA;

(g) Cause all payments to be made on the basis of supporting vouchers and other documents which ensure that the services or goods have been received, and that payments have not previously been made;

(h) Designate the officers who may receive moneys on behalf of UNFPA;

(i) Maintain an internal financial control which shall provide for an effective current examination and review of financial transactions in order to ensure:

(i) The regularity of the receipt, custody and disposal of all funds and other financial resources of UNFPA;

(ii) The conformity of ~~expenditures~~ expenses and commitments with the budgets, appropriations or other financial provisions decided upon by the Executive Board;

(iii) The economic use of the resources of UNFPA.

Reason for revisions: All sections from Regulation 14.3 were included in Regulation 14.1, effectively eliminating the need for Regulation 14.3.

Regulation 14.2: There shall be a separation of duties as defined by the UNFPA Internal Control Framework.

~~(a) — between the staff who may incur obligations or commitments on behalf of UNFPA and the staff who may verify that payments may be made on behalf of UNFPA; and~~

~~(b) — between the staff who may verify that payments may be made on behalf of UNFPA and the staff who may disburse resources on behalf of UNFPA.~~

~~(c) — In any case, at least two signatories are required to authorize the expenditure of funds.~~

Reason for deletion: The separation of duties is already defined in detail in the Internal Control Framework, and it is redundant to repeat them in the Financial Regulations and Rules.

~~Regulation 14.3: The Executive Director shall:~~

~~(a) — (i) designate the staff who may make financial commitments on behalf of UNFPA;~~

~~(ii) cause all financial commitments to be made on the basis of supporting documents which ensure that funds are available to cover the anticipated claim; and~~

~~(iii) ensure that all financial commitment decisions are within the UNFPA mandate and provide best value for money to the organization.~~

- (b) ~~(i) designate the staff who may verify that payments may be made on behalf of UNFPA; and~~
~~(ii) cause all payments to be made on the basis of supporting vouchers and other documents, which ensure that the services or goods have been received and that payments have not previously been made.~~

Reason for deletion: All sections from Regulation 14.3 are now included in Regulation 14.1.

Heading: ~~Expenditure~~ Expense control

Rule 114.1:

(a) The Director, Division for Management Services, shall ensure that, except as provided in Rule 114.4(a)(iii), no ~~proposed expenditure~~ expense shall be incurred unless it is supported by an appropriate ~~obligating~~ commitment document, signed by a committing officer pursuant to Rule 114.2. ~~who has recorded in the accounts an obligation sufficient to cover any expenditure which may be incurred during the period covered by the obligating document.~~ Except as otherwise provided in Rule 114.1(b), action to ~~obligate~~ commit shall be based on a written contract, purchase order, agreement or other form of undertaking, ~~or acknowledgement of liability by UNFPA.~~

(b) Any increase in the amount of ~~an obligation~~ a commitment recorded in the accounts in excess of an amount established by the Executive Director ~~from time to time~~ pursuant to subparagraph (a) shall require an amended ~~obligating~~ commitment document to be issued. Should an invoice be presented for payment in an amount which exceeds the amount of the ~~obligation~~ commitment as recorded by more than an amount established by the Executive Director ~~from time to time~~, prior committing of the payment is required. ~~The Executive Director shall specify the amounts above which establishment or amendment of an obligation are required. Such amounts shall include a series of obligations for the same purpose. the commitment must be amended.~~

Reason for revisions: The concepts of commitment and obligation under IPSAS are different from those under UNSAS, as noted in the revised definition of “commitment” in Regulation 2.2 as shown above.

Rule 114.4 (a) (iii): The payment is made against a recorded ~~commitment~~ obligation of resources entered into by an appropriate committing officer or a valid budget, where applicable;

Reason for revision: Under IPSAS payments are made against an obligation that has been recorded as a liability in the books of the organization. Under IPSAS an obligation is in the form of a purchase order where goods have been received or services rendered.

Rule 114.7(d): ~~Any loss of cash or negotiable instruments must be reported at once to the Director, Division for Management Services.~~

Reason for deletion: The Rule is repeated under Rule 114.10(a).

Regulation 14.4: ~~Expenditures~~ Expenses for the current year and commitments for future years shall be incurred and entered into, respectively, only after budgets for programme activities, allotments in respect of the biennial support budget or other appropriate authorizations have been made in writing under the authority of the Executive Director.

Rule 114.10 (a): Any loss of cash, inventory, other assets or negotiable instruments shall be reported at once to the Director, Division for Management Services.

Reason for revision: The addition of the words “inventory, other assets” makes the Rule compliant with IPSAS on inventory, and property, plant and equipment.

Rule 114.10 (b): The Executive Director shall require the Director, Division for Management Services, to make a full investigation of all cases involving the writing off of such losses. ~~of cash or the recorded value of accounts or notes receivable.~~ He/she shall also require a similar investigation and report of all cases involving the loss of UNFPA ~~stockholdings or property~~ cash, inventory and other assets before writing off such losses or authorizing the adjustment of UNFPA ~~inventory or property~~ records to bring the balance shown by the records into conformity with actual quantities held following such loss.

Reason for revision: The addition and deletion of some phrases makes the Rule compliant with IPSAS on inventory, and property, plant and equipment.

Regulation 14.7: (a) *The procurement functions of UNFPA include all actions necessary for the acquisition, by purchase or lease, of property, including construction, of goods, real property and services. ~~including construction.~~*

Reason for revision: The new wording, including moving the words “including construction”, is in line with the IPSAS principle of property, plant and equipment.

Rule 114.11(b) (ii): shall establish review committees, at headquarters and other locations, to render written advice to the CPO on procurement actions leading to the award or amendment of procurement contracts, which, for purposes of these Regulations and Rules, include agreements or other written instruments such as purchase orders, and contracts that involve ~~income revenue~~ to UNFPA. The CPO shall establish the composition and the terms of reference of such committees, which shall include the types and monetary values of proposed procurement actions subject to review.

Regulation 14.10: *In conformity with Executive Board decision 96/3, UNFPA may procure and hold stocks of essential ~~contraceptive products in order to promptly respond to emergency requests for assistance.~~ goods in support of reproductive health. ~~The inventory value of these stock holdings shall be shown in the accounts as an asset.~~*

Reason for deletion: The new wording gives flexibility in the use of holding stocks of essential contraceptive products beyond emergencies. The accounting treatment of inventory will be handled through the IPSAS standard.

Rule 114.20 (c)

(i) the regularity of the receipt, custody, ~~expenditures~~ expense, accounting and reporting of all financial resources of UNFPA, and the effectiveness of UNFPA existing internal controls and financial accounting systems;

(ii) the conformity of ~~expenditures~~ expenses with the purposes for which funds were appropriated or otherwise provided by the Executive Board and the financial authorizations

issued thereunder, or with the purposes and rules relating to Trust Funds administered by UNFPA or with agreements with other United Nations organizations and other entities;

Regulation 15.2: *Each executing agency or, under the harmonized operational modalities, implementing partner, shall maintain such accounts and records as are necessary to enable it to report on the financial status of funds obtained from UNFPA, including in particular the balance of recorded allocations, expenditures or expenses and commitments, except in the case of sector budget support and pooled funds.*

Reason for revision: Traditional audit procedures and financial reporting need to be modified for sector budget support. In addition, changes and additions provide harmonization and standardization with UNDP on regulations related to sector budget support.

Regulation 16.1: *For the years 2010 and 2011 the Executive Director shall submit biennial financial statements biennially in respect of the UNFPA Account and in respect of all other funds administered by UNFPA, in accordance with United Nations System Accounting Standards showing. Effective with the 2012 financial statements the Executive Director shall submit financial statements annually in accordance with International Public Sector Accounting Standards.*

(a) — ~~The income and expenditures;~~

(b) — ~~The assets and liabilities, reserves and resource balances;~~

(c) — ~~The statement of cash flows;~~

(d) — ~~The financial implementation of programme activities;~~

(e) — ~~The status of appropriations approved by the Executive Board for the biennial support budget and the amounts charged against those appropriations.~~

Reason for revision: For financial statement purposes the financial period will be biennial under UNSAS and annual under IPSAS. This change allows operating under both standards until UNFPA is fully IPSAS compliant. Sections (a) through (e) are not required to define what financial statements will be prepared. IPSAS defines what financial statements need to be prepared. The statement concerning the submission of financial statements in accordance with IPSAS starting in 2012 commits UNFPA to be fully compliant with IPSAS by that date.

Rule 116.1(a): ~~All financial transactions, including pledges from Governments, shall be recorded in the accounts on an accrual basis on the basis of United Nations System Accounting Standards, except as may otherwise be required by the terms of any Trust Fund or special account or as authorized by the Executive Director.~~ Starting in 2012 all financial transactions will be recorded in the accounts on the basis of International Public Sector Accounting Standards.

Reason for revision: The accounting treatment will be under UNSAS until UNFPA is fully IPSAS compliant. The statement concerning the recording of financial transactions in accordance with IPSAS starting in 2012 commits UNFPA to be fully compliant with IPSAS by that date.

Rule 116.1(e): Upon the closing of the accounts at the end of a financial year the Executive Director shall cause a revaluation to be made of cash balances and other assets and liabilities held in currencies other than US dollars, based on the United Nations operational rate of exchange on 1st January of the year following the date of closing. ~~Any gains or losses resulting from such revaluation shall at that time be credited or debited to miscellaneous income or expenditure in the accounts.~~

Reason for deletion: The last sentence deals with accounting treatment. Accounting treatment is specified by IPSAS.

Rule 116.2 (b): The Executive Director shall sign the financial statements following certification and submit them to the United Nations Board of External Auditors not later than 30 April of the year following the end of ~~each biennium~~ the 2010-2011 biennium. Effective with the year 2012 financial statements, and every year thereafter, financial statements will be submitted not later than 30 April of the following year. Copies of the financial statements and schedules referred to in this Rule shall be submitted at the same time to the Advisory Committee.

Reason for revision: For financial statement purposes the financial period will be biennial under UNSAS and annual under IPSAS. This change will allow issuance of statements under UNSAS until UNFPA is fully compliant with IPSAS.

Rule 116.2 (c) (ii): statements of unspent allocations for programme activities and ~~unliquidated obligations~~ commitments of the ~~biennial~~ support budget;

Reason for revision: The concept of unliquidated obligations does not exist under IPSAS. A statement of commitments will need to be included as a supporting schedule.

Rule 116.2 (c) (iv) (bb): a summary of miscellaneous ~~income~~ revenue; and

Regulation 16.3: *The accounts shall be submitted by the Executive Director, not later than 30 April of the year following the end of each ~~biennium~~ financial period, to the United Nations Board of Auditors for examination and opinion.*

Reason for revision: For financial statement purposes the financial period will be biennial under UNSAS and annual under IPSAS. This change will allow issuance of statements under UNSAS until UNFPA is fully compliant with IPSAS.

Regulation 17.1: *The External Audit provisions of Article VII of the United Nations Financial Regulations have been annexed for information to these Regulations and shall, mutatis mutandis, apply to UNFPA, except that:*

(b) Executing agencies or, under the harmonized operational modalities, implementing partners, which are organizations of the United Nations system shall transmit to the Executive Director for submission to the Executive Board biennial accounts showing the status of funds allocated to them by the Executive Director for the execution of UNFPA activities. Effective from their submissions for the year 2012 executing agencies or, under the harmonized operational modalities, implementing partners, which are organizations of the United Nations system, shall transmit to the Executive Director for submission to the Executive Board annual accounts showing the status of funds allocated to them by the Executive Director for the execution of UNFPA activities. Such accounts shall bear audit

certificates from the organizations' External Auditors and shall be accompanied by their reports, if any, and copies of any relevant resolutions adopted by their legislative or governing bodies;

Reason for revision: The second sentence that has been added above in “(b)”, concerning the submission of accounts annually starting in 2012, commits UNFPA to full IPSAS compliance by that date.

Regulation 17.2:

(a) The Executive Director shall ensure that, except for organizations of the United Nations system, executing agencies or, under the harmonized operational modalities, implementing partners shall require their auditors to follow, to the extent feasible, the audit principles and procedures prescribed for the United Nations with respect to funds obtained from or through UNFPA, and shall ensure that each project is audited periodically as required by the Executive Director, but at least once in its lifetime, except in the case of sector budget support and pooled funds.

(b) In the case of sector budget support or pooled funds, resources obtained from or through UNFPA shall be audited in accordance with the audit provisions established in the agreement among the participants to, and governing, the sector budget support or pooled fund, consistent with the policies and procedures for UNFPA participation in sector budget support and pooled funds, established by the Executive Director.

Reason for revision and addition: References to sector budget support and/or pooled funds have been added above in “(a)”. Section “(b)” is a new section of the Regulation. Traditional audit procedures and financial reporting need to be modified for sector budget support. In addition, changes and additions provide harmonization and standardization with UNDP on regulations related to sector budget support.