

CONFERENCE OF FAO

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REVISION OF FAO CONSTITUTION,
RULES OF PROCEDURE, AND FINANCIAL REGULATIONS

Note by the Director-General

With reference to Appendix 2 to the Document, appearing as "Financial Regulations for the United Nations and the Specialized Agencies", pages 134 to 144, the Director-General understands that the Fifth Committee of the present General Assembly of the United Nations has made some minor modifications in the regulations and recommended them to the General Assembly for adoption with the following draft resolution:

"The General Assembly

Taking note of the agreement reached in the Administrative Committee on Coordination to recommend a common set of financial regulations for the United Nations and the specialized agencies,

Approving the amendments recommended by the Advisory Committee on Administrative and Budgetary Questions,

Declares that the Financial Regulations set out in the annex to this resolution are adopted in place of those adopted by the General Assembly at its second session under resolution 163 (II),

Expresses the hope that Member States will support the adoption by the specialized agencies of the Financial Regulations approved herein for the United Nations, with only such alterations as are required to meet the Constitutional provisions and organizational structure of the respective agencies."

... A copy of the amended regulations is attached.

The ~~major~~ amendments (not considering drafting changes) are as follows:

Article 3.3: Explanatory statements on the budget estimates may be requested "by, or" on behalf of the General Assembly.

Article 4.3: Clarification of the types of obligations for which any year's appropriations should remain available for a further period of twelve months after the end of that year.

Article 5.4: Clarification as to what constitutes "Arrears". Any portion of unpaid contributions and advances to the Working Capital Fund due for any year will be considered as a full year's arrears of Financial Contributions as of 1 January of the following year.

Article 5.5: Provides for payment of Contributions, and advances to the Working Capital Fund in United States Dollars.

Article 6.2 and 6.3:

- a) Clarification as to the purpose of the Scale of Assessments.
- b) 6.3 has been combined with 6.2.

Article 6.4: Redrafting of Regulation 6.5.

Article 7.3: Regulations 6.6 and 6.7 have been substituted for 6.7 and 6.8.

Article 11.4: The final closing of the annual accounts for submission to audit has been set for 31 March following the end of the financial year.

Article XII: This section appears to be completely redrafted in consultation with the Board of Auditors of the United Nations.

It will also be noticed that the Annex to this Article substitutes for Appendix 3 in the original document.

Article XIV: (in the original document)

The provision for the delegation of authority by the Secretary-General to other officers of the Organization has been deleted.

Article XIV: Representing Article XV in the original document deletes the sub-Section 2 on the interpretation and application of the regulations.

In summary, the major amendments are involved in Articles 5.4 and XII of the regulations and appendix 3 relative to Article XII.

FINANCIAL REGULATIONS FOR THE UNITED NATIONS *

ARTICLE I - APPLICABILITY

- 1.1 These regulations shall govern the financial administration of the United Nations, including the International Court of Justice.

ARTICLE II - THE FINANCIAL YEAR

- 2.1 The financial year shall be the period 1 January through 31 December.

ARTICLE III - THE BUDGET

- 3.1 The annual budget estimates shall be prepared by the Secretary-General.
- 3.2 The estimates shall cover income and expenditures for the financial year to which they relate, and shall be presented in US dollars.
- 3.3 The annual budget estimates shall be divided into parts, sections, chapters, and articles, and shall be accompanied by such information annexes and explanatory statements as may be requested by or on behalf of the General Assembly, and such further annexes or statements as the Secretary-General may deem necessary and useful.
- 3.4 The Secretary-General shall submit to the regular session of the General Assembly budget estimates for the following financial year. The estimates shall be transmitted to all Member States at least five weeks prior to the opening of the regular session of the General Assembly.

* Recommendations to the Fifth U.N. General Assembly by the Fifth Committee.

- 3.5 The Secretary-General shall, at least twelve weeks prior to the opening of the regular session of the General Assembly, submit the estimates to the Advisory Committee on Administrative and Budgetary Questions (hereinafter referred to as the "Advisory Committee") for examination.
- 3.6 The Advisory Committee shall prepare a report to the General Assembly on the estimates submitted by the Secretary-General. This report shall be transmitted to all Member States at the same time as the estimates.
- 3.7 The budget for the following financial year shall be adopted by the General Assembly after consideration and report on the estimates by the Administrative and Budgetary Committee of the Assembly.
- 3.8 Supplementary estimates may be submitted by the Secretary-General whenever necessary.
- 3.9 The Secretary-General shall prepare supplementary estimates in a form consistent with the annual estimates and shall submit such estimates to the General Assembly. The Advisory Committee shall review such estimates and report thereon.

ARTICLE IV - APPROPRIATIONS

- 4.1 The appropriations voted by the General Assembly shall constitute an authorization to the Secretary-General to incur obligations and make payments for the purposes for which the appropriations were voted and up to the amounts so voted.
- 4.2 Appropriations shall be available for obligation during the financial year to which they relate.
- 4.3 Appropriations shall remain available for twelve months following the end of the financial year to which they relate to the extent that they are required to discharge obligations in respect of goods supplied and services rendered in the financial year and to liquidate any other outstanding legal obligation of the year. The balance of the appropriations shall be surrendered.
- 4.4 At the end of the twelve-month period provided in regulation 4.3 above, the then remaining balance of any appropriations retained will be surrendered. Any unliquidated prior year obligations shall at that time be cancelled, or where the obligation remains a valid charge transferred as an obligation against current appropriations.
- 4.5 No transfer between appropriation sections may be made without authorization by the General Assembly.

ARTICLE V - PROVISION OF FUNDS

- 5.1 The appropriations, subject to the adjustments effected in accordance with the provisions of regulation 5.2, shall be financed by contributions from Member States, according to the scale of assessments determined by the General Assembly. Pending the receipt of such contributions, the appropriations may be financed from the Working Capital Fund.
- 5.2 In the assessment of the contributions of Member States, adjustments shall be made to the amount of the appropriations approved by the General Assembly for the following financial year in respect of;

- (a) Supplementary appropriations for which contributions have not previously been assessed on the Member States;
 - (b) Miscellaneous income for which credits have not previously been taken into account, and any adjustments in estimated miscellaneous income previously taken into account;
 - (c) Contributions resulting from the assessment of new Member States under the provisions of regulation 5.8;
 - (d) Any balance of the appropriations surrendered under regulations 4.3 and 4.4.
- 5.3 After the General Assembly has adopted the budget and determined the amount of the Working Capital Fund, the Secretary-General shall:
- (a) Transmit the relevant documents to Member States;
 - (b) Inform Member States of their commitments in respect of annual contributions and advances to the Working Capital Fund;
 - (c) Request them to remit their contributions and advances.
- 5.4 Contributions and advances shall be considered as due and payable in full within 30 days of the receipt of the communication of the Secretary-General referred to in regulation 5.3 above, or as of the first day of the financial year to which they relate, whichever is the later. As of 1 January of the following financial year, the unpaid balance of such contributions and advances shall be considered to be one year in arrears.
- 5.5 Annual contributions and advances to the Working Capital Fund of the United Nations shall be assessed and paid in US dollars.
- 5.6 Payments made by a Member State shall be credited first to the Working Capital Fund and then to the contributions due in the order in which the Member was assessed.
- 5.7 The Secretary-General shall submit to the regular session of the General Assembly a report on the collection of contributions and advances to the Working Capital Fund.
- 5.8 New Members shall be required to make a contribution for the year in which they become Members and provide their proportion of the total advances to the Working Capital Fund at rates to be determined by the General Assembly.
- 5.9 States which are not Members of the United Nations but which become parties to the Statute of the International Court of Justice or treaty bodies financed from United Nations appropriations shall contribute to the estimated expenses of such bodies at rates to be determined by the General Assembly. Such contributions shall be taken into account as miscellaneous income.

ARTICLE VI - FUNDS

- 6.1 There shall be established a General Fund for the purpose of accounting for the expenditures of the Organization. The contributions paid by Member States under regulation 5.1, miscellaneous income, and any advances made from the Working Capital Fund to finance general expenditures shall be credited to the General Fund.

- 6.2 There shall be established a Working Capital Fund in an amount and for purposes to be determined from time to time by the General Assembly. The source of monies of the Working Capital Fund shall be advances from Member States, and these advances, made in accordance with the scale of assessments as determined by the General Assembly, for the apportionment of the expenditures of the United Nations, shall be carried to the credit of the Member States which have made such advances.
- 6.3 Advances made from the Working Capital Fund to finance budgetary appropriations during a financial year shall be reimbursed to the Fund as soon as and to the extent that income is available for that purpose.
- 6.4 Except when such advances are recoverable from some other source, advances made from the Working Capital Fund for unforeseen and extraordinary expenses or other authorized purposes shall be reimbursed through the submission of supplementary estimates.
- 6.5 Income derived from investments of the Working Capital Fund shall be credited to miscellaneous income.
- 6.6 Trust Funds, Reserve and Special Accounts may be established by the Secretary-General and shall be reported to the Advisory Committee on Administrative and Budgetary Questions.
- 6.7 The purpose and limits of each Trust, Reserve and Special Fund shall be clearly defined by the appropriate authority. Unless otherwise provided by the General Assembly, such funds shall be administered in accordance with these Regulations.

ARTICLE VII - OTHER INCOME

- 7.1 All other income, except:
 - (a) Contributions to the budget;
 - (b) Direct refunds of expenditures made during the financial year; and
 - (c) Advances or deposits to Fundsshall be classed as miscellaneous income, for credit to the General Fund.
- 7.2 Voluntary contributions, whether or not in cash, may be accepted by the Secretary-General, provided that the purposes for which the contribution is made are consistent with the policies, aims and activities of the Organization, and provided that the acceptance of such contributions which directly or indirectly involve additional financial liability for the Organization shall require the consent of the appropriate authority.
- 7.3 Monies accepted for purposes specified by the donor shall be treated as Trust or Special Funds under regulations 6.6 and 6.7.
- 7.4 Monies accepted in respect of which no purpose is specified shall be treated as miscellaneous income and reported as "gifts" in the annual accounts.

ARTICLE VIII - CUSTODY OF FUNDS

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

ARTICLE IX - INVESTMENT OF FUNDS

- 9.1 The Secretary-General may make short-term investments of monies not needed for immediate requirements and shall inform the Advisory Committee periodically of such investments which he has made.
- 9.2 The Secretary-General may make long-term investments of monies standing to the credit of Trust Funds, Reserve and Special Accounts as may be provided by the appropriate authority in respect of each such Fund or Account.
- 9.3 Income derived from investments shall be credited as provided in the rules relating to each Fund.

ARTICLE X - INTERNAL CONTROL

- 10.1 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 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;
 - (c) Designate the officers who may receive monies, incur obligations and make payments on behalf of the Organization;
 - (d) Maintain an internal financial control which shall provide for an effective current examination and/or 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 the Organization;
 - (ii) The conformity of obligations and expenditures with the appropriations or other financial provision voted by the General Assembly, or with the purposes and rules relating to Trust and other Special Funds;
 - (iii) The economic use of the resources of the Organization.
- 10.2 No obligations shall be incurred until allotments or other appropriate authorizations have been made in writing under the authority of the Secretary-General.
- 10.3 The Secretary-General may make such ex gratia payments as he deems to be necessary in the interests of the Organization, provided that a statement of such payments shall be submitted to the General Assembly with the annual accounts.
- 10.4 The Secretary-General may, after full investigation, authorize the writing off of losses of cash, stores and other assets, provided that a statement of all such amounts written off shall be submitted to the Auditors with the annual accounts.
- 10.5 Tenders for equipment, supplies and other requirements shall be invited by advertisement, except where the Secretary-General deems that, in the interests of the Organization, a departure from the rule is desirable.

ARTICLE XI - THE ACCOUNTS

11.1 The Secretary-General shall maintain such accounting records as are necessary and shall submit annual accounts showing for the financial year to which they relate:

- (a) The income and expenditures of all Funds;
- (b) The status of appropriations, including:
 - (i) The original budget appropriations;
 - (ii) The appropriations as modified by any transfers;
 - (iii) Credits, if any, other than the appropriations voted by the General Assembly;
 - (iv) The amounts charged against those appropriations and/or other credits;
- (c) The assets and liabilities of the Organization.

He shall also give such other information as may be appropriate to indicate the current financial position of the Organization.

11.2 The annual accounts of the Organization shall be presented in US dollars. Accounting records may, however, be kept in such currency or currencies as the Secretary-General may deem necessary.

11.3 Appropriate separate accounts shall be maintained for all Trust and other Special Funds.

11.4 The annual accounts shall be submitted by the Secretary-General to the Board of Auditors not later than 31 March following the end of the financial year.

ARTICLE XII - EXTERNAL AUDIT

12.1 Subject to any special direction of the General Assembly, each audit which the Board of Auditors established under resolution 74 (I) is required to make shall be conducted in accordance with the principles set out in the annex to these regulations.

12.2 At the commencement of each financial year the Board of Auditors and the Advisory Committee shall be notified as to the sum provided to defray the cost of audit of each Trust Fund, Reserve and Special Account to be performed by the Board during the year. Thereupon, the Board shall consult the Advisory Committee relative to the scope of the several audits to be made by the Board.

12.3 The Board of Auditors may allocate, subject to the concurrence of the Advisory Committee, the audit work among the members of the Board: Provided two members shall jointly certify the annual accounts submitted by the Secretary-General in accordance with the provisions of article XI, 11.4.

12.4 Whenever any financial statement is certified by only one member of the Board of Auditors, there shall be associated therewith a certificate of another member of the Board to the effect that the audit programme had been approved by the Board and that all special instructions given by the Board to the member were carried out.

- 12.5 Whenever it is necessary to make a local or special examination, the Board of Auditors may, subject to the budgetary provision for the audit concerned, arrange for the services of any national Auditor-General (or equivalent title) who is eligible to be appointed to the membership of the Board or of commercial public auditors of known repute.

ARTICLE XIII - RESOLUTIONS INVOLVING EXPENDITURES

- 13.1 No Council, Commission or other competent body shall take a decision involving expenditure unless it has before it a report from the Secretary-General on the administrative and financial implications of the proposal.
- 13.2 Where, in the opinion of the Secretary-General, the proposed expenditure cannot be made from the existing appropriations, it shall not be incurred until the General Assembly has made the necessary appropriations, unless the Secretary-General certifies that provision can be made under the conditions of the resolution of the General Assembly relating to unforeseen and extraordinary expenses.

ARTICLE XIV - GENERAL PROVISIONS

- 14.1 These regulations shall be effective as of the date of their approval by the General Assembly, and may be amended only by the General Assembly.

ARTICLE XV - SPECIAL PROVISIONS

- 15.1 The estimates of the International Court of Justice shall be prepared by the Court, in consultation with the Secretary-General. These estimates shall be submitted to the General Assembly by the Secretary-General, together with such observations as he may deem desirable.

ANNEX

PRINCIPLES TO GOVERN THE AUDIT PROCEDURES OF THE UNITED NATIONS

1. The Board of Auditors shall perform an audit of the accounts of the United Nations, including all trust and special accounts, as it may deem necessary in order to certify:
 - (a) That the financial statements are in accord with the books and records of the Organization;
 - (b) That the financial transactions reflected in the statements have been in accordance with the rules and regulations, the budgetary provisions, and other applicable directives;
 - (c) That the securities and monies on deposit and on hand have been verified by certificate received direct from the Organization's depositories or by actual count.
2. Subject to the provisions of the financial regulations, the Board of Auditors shall be the sole judge as to the acceptance in whole or in part of certifications by the Secretariat and may proceed to such detailed examination and verification as it chooses of all financial records including those relating to supplies and equipment.
3. The Board of Auditors may affirm by test the reliability of the internal audit, and may make such reports with respect thereto, as the Board may deem necessary, to the General Assembly or to the Advisory Committee on Administrative and Budgetary Questions, or to the Secretary-General.
4. The several members of the Board and staff working under its direction shall subscribe to such oath as may be approved by the Advisory Committee on Administrative and Budgetary Questions. Thereupon the members of the Board and its staff shall have free access at all convenient times to all books of account and records which are, in the opinion of the Board, necessary for the performance of the audit. Information classified as confidential in the records of the Secretariat, and which is required by the Board for the purposes of the audit shall be made available on application to the Assistant Secretary-General for Administrative and Financial Services. In the event that the Board is of the opinion that a duty rests on it to draw to the attention of the General Assembly any matter respecting which all or part of the documentation is classified as confidential, direct quotation should be avoided.
5. The Board of Auditors, in addition to certifying the accounts, may make such observations as it may deem necessary with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the financial consequences of administrative practices.
6. In no case, however, shall the Board of Auditors include criticism in its audit report without first affording the Secretariat an opportunity of explanation to the Board of the matter under observation. Audit objections to any items arising during the examination of the accounts shall be immediately communicated to the Assistant Secretary-General for Administrative and Financial Services.
7. The Board of Auditors shall prepare a report on the accounts certified, in which it should mention:
 - (a) The extent and character of its examination of any important changes therein;

- (b) Matters affecting the completeness or accuracy of the accounts, such as:
 - (i) Information necessary to the correct interpretation of the account;
 - (ii) Any amounts which ought to have been received but which have not been brought to account;
 - (iii) Expenditures not properly substantiated;
- (c) Other matters which should be brought to the notice of the General Assembly, such as:
 - (i) Cases of fraud or presumptive fraud;
 - (ii) Wasteful or improper expenditure of United Nations' money or other assets (notwithstanding that the accounting for the transactions may be correct);
 - (iii) Expenditure likely to commit the United Nations to further outlay on a large scale;
 - (iv) Any defect in the general system or detailed regulations governing the control of receipts and expenditure, or of supplies and equipment;
 - (v) Expenditure not in accordance with the intention of the General Assembly, after making allowance for duly authorized transfers within the budget;
 - (vi) Expenditure in excess of appropriations as amended by duly authorized transfers within the budget;
 - (vii) Expenditure not in conformity with the authority which governs it.
- (d) The accuracy or otherwise of the supplies and equipment records as determined by stock-taking and examination of the records.

In addition, the reports may contain reference to:

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

8. The Board of Auditors, or such of their officers as they may designate, shall certify the financial statements in the following terms:

"The financial statements of the United Nations for the financial year ended 31 December ---- have been examined in accordance with our directions. We have obtained all the information and explanations that we have required, and we certify, as a result of the audit, that, in our opinion, the financial statements are correct",

adding, should it be necessary,

"subject to the observations in our report".

9. The Board of Auditors shall have no power to disallow items in the accounts, but shall draw to the attention of the Secretary-General for appropriate action any transaction concerning which it entertains doubt as to legality or propriety.

10. A representative of the Board of Auditors shall be present when the Board's report is being considered by the General Assembly.