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Financial regulations and financial rules

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Item 5 of the provisional agenda

Financial regulations and financial rules

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Report by the Director-General

Reports on the issuance of a complete text of financial regulations pursuant to the amendment approved by the General Conference in decision GC.11/Dec.17, and the revised financial rules of UNIDO, in accordance with financial regulation 12.1.

I. Financial regulations

1. The Financial Regulations of UNIDO were originally approved by the General Conference on 12 November 1987 in decision GC.2/Dec.25. Since that time, various amendments have been approved by the Conference. Most recently, in decision GC.11/Dec.17 adopted on 2 December 2005, the Conference amended paragraph 5 of the annex to the financial regulations (“Additional terms of reference governing the audit of the United Nations Industrial Development Organization”). A conference room paper containing the complete text of the Financial Regulations of UNIDO, as well as minor editorial corrections (shown in the annex to the present document), will be issued in all languages as document PBC.22/CRP.2.

II. Financial rules

2. Financial regulation 12.1 stipulates: “subject to the present regulations the Director-General shall issue financial rules which shall govern the administration of all financial activities and transactions of the Organization. The Director-General may in the financial rules delegate authority to officials of the Organization. The Director-General shall report to the Board through the Programme and Budget Committee on the issuance of financial rules.”

3. Pursuant to financial regulation 12.1, the financial rules of UNIDO were first issued through Director-General’s Bulletin UNIDO/DG/B.74 in April 1988. The

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most recent revision to the rules was issued on 15 June 1990 through Director-General's Bulletin UNIDO/DG/B.74/Rev.1. As noted in paragraph 1 above, a number of amendments to the financial regulations have been approved by the General Conference. Moreover, improvements to the Organization's financial operations have been introduced through various Director-General's Bulletins and administrative instructions. These developments have necessitated an updating of the financial rules. Therefore, a complete text of the revised financial rules will be issued through Director-General's Bulletin, UNIDO/DG/B.74/Rev.2, which will not only reflect the above amendments and improvements, but also incorporate the best prevailing practices from both within and outside the United Nations system relating to financial management/operations, procurement, internal control and oversight, aimed at further improving the corporate governance of the Organization, while clarifying and enhancing the responsibility and accountability of all involved in the operations of the Organization.

4. The presentation of the financial rules has also been improved by placing the rules alongside the related financial regulations; such a practice has already been adopted by some organizations of the United Nations, including the United Nations Secretariat. The External Auditor of UNIDO has reviewed the rules and his comments have been incorporated in the text.

III. Action required of the Committee

5. The Committee may wish to take note of the information contained in the present document.

Annex

Editorial corrections to the financial regulations (Proposed by UNOV Editorial Control Unit)

Regulation	Previous text	As revised (bolded text refers)
4.3 (b)	No transfer between major objects of expenditures within the regular budget may take place, except when approved by the Conference in accordance with regulation 3.11;	No transfer between major objects of expenditure within the regular budget may take place, except when approved by the Conference in accordance with regulation 3.11;
5.4 (a)	Upon recommendation of the Programme and Budget Committee and, subsequently the Board, the Conference by a two-thirds majority of the Members present and voting shall determine the amount and purposes of the Working Capital Fund;	Upon the recommendation of the Programme and Budget Committee and, subsequently the Board, the Conference by a two-thirds majority of the Members present and voting shall determine the amount and purposes of the Working Capital Fund;
9.5	The Director-General shall as a part of the financial rules establish rules for the procurement of equipment, supplies and other requirements, including rules governing the invitation of tenders and the calling of proposals.	The Director-General shall as a part of the financial rules establish rules for the procurement of equipment, supplies and other requirements, including rules governing invitation of tenders and the calling of proposals.
11.1	An External Auditor, who shall be Auditor-General (or an officer exercising an equivalent function) of a Member State, shall be appointed in the manner and for the period decided by the Conference.	An External Auditor, who shall be the Auditor-General (or an officer exercising an equivalent function) of a Member State, shall be appointed in the manner and for the period decided by the Conference.
11.2	If the External Auditor ceases to hold office as Auditor-General (or equivalent function) in his own country, his tenure of office as External Auditor shall thereupon be terminated and the Member State to which he belongs will designate as External Auditor his successor for the office of Auditor-General. The External Auditor may not otherwise be removed during his tenure of office, except by the Conference.	If the External Auditor ceases to hold office as Auditor-General (or equivalent function) in his own country, his tenure of office as External Auditor shall thereupon be terminated and the Member State to which he belongs will designate as External Auditor his successor in the office of Auditor-General. The External Auditor may not otherwise be removed during his tenure of office, except by the Conference.
11.9	The External Auditor shall issue a report on the audit of the financial statements and relevant schedules, which shall include such information as he deems necessary in regard to matters referred to in financial regulation 11.4 and in the additional terms of reference.	The External Auditor shall issue a report on the audit of the financial statements and relevant schedules, which shall include such information as he deems necessary with regard to matters referred to in financial regulation 11.4 and in the additional terms of reference.
11.10	The External Auditor's reports, together with the audited financial statements, shall be completed not later than 1 June, following the fiscal period to which they relate and shall be transmitted through the Programme and Budget Committee to the Board in accordance with directions given by the Conference. The Programme and Budget Committee shall examine the financial statements and the audit reports and submit recommendations to the Board, which shall forward them to the Conference with such comments as it deems appropriate. The report on the interim accounts shall be completed not later than 1 June, following the calendar year to which it relates and shall be submitted to the Programme and Budget Committee.	The External Auditor's reports, together with the audited financial statements, shall be completed by not later than 1 June, following the fiscal period to which they relate and shall be transmitted through the Programme and Budget Committee to the Board in accordance with directions given by the Conference. The Programme and Budget Committee shall examine the financial statements and the audit reports and submit recommendations to the Board, which shall forward them to the Conference with such comments as it deems appropriate. The report on the interim accounts shall be completed by not later than 1 June, following the calendar year to which it relates and shall be submitted to the Programme and Budget Committee.

Note: Capitalization was made consistent in regulations 1.1, 3.3 (b), 6.2, 6.3, 11.3, 12.1 and 12.2, in which the word "Regulations" was replaced by "regulations". In the annex, para. 1 (b), the words "Rules and Regulations" were replaced by "rules and regulations".