

# EXECUTIVE BOARD PROPOSED AMENDMENTS TO UNICEF FINANCIAL REGULATIONS AND RULES

September 2011

# Agenda

- Background
- Development process
- Reasons for proposed changes
- Amendments Financial Regulations and Rules

# Background on proposed changes to the Financial Regulations and Rules

- Purpose of the Financial Regulations and Rules
  - The Financial Regulations and Rules govern the overall financial management of the entity, including the budgeting and accounting of resources. This is the over-arching regulatory framework (other than Staff Rules) for the organization.
- Financial Regulations are presented to the Executive Board for approval
  - Financial Rules are presented for information

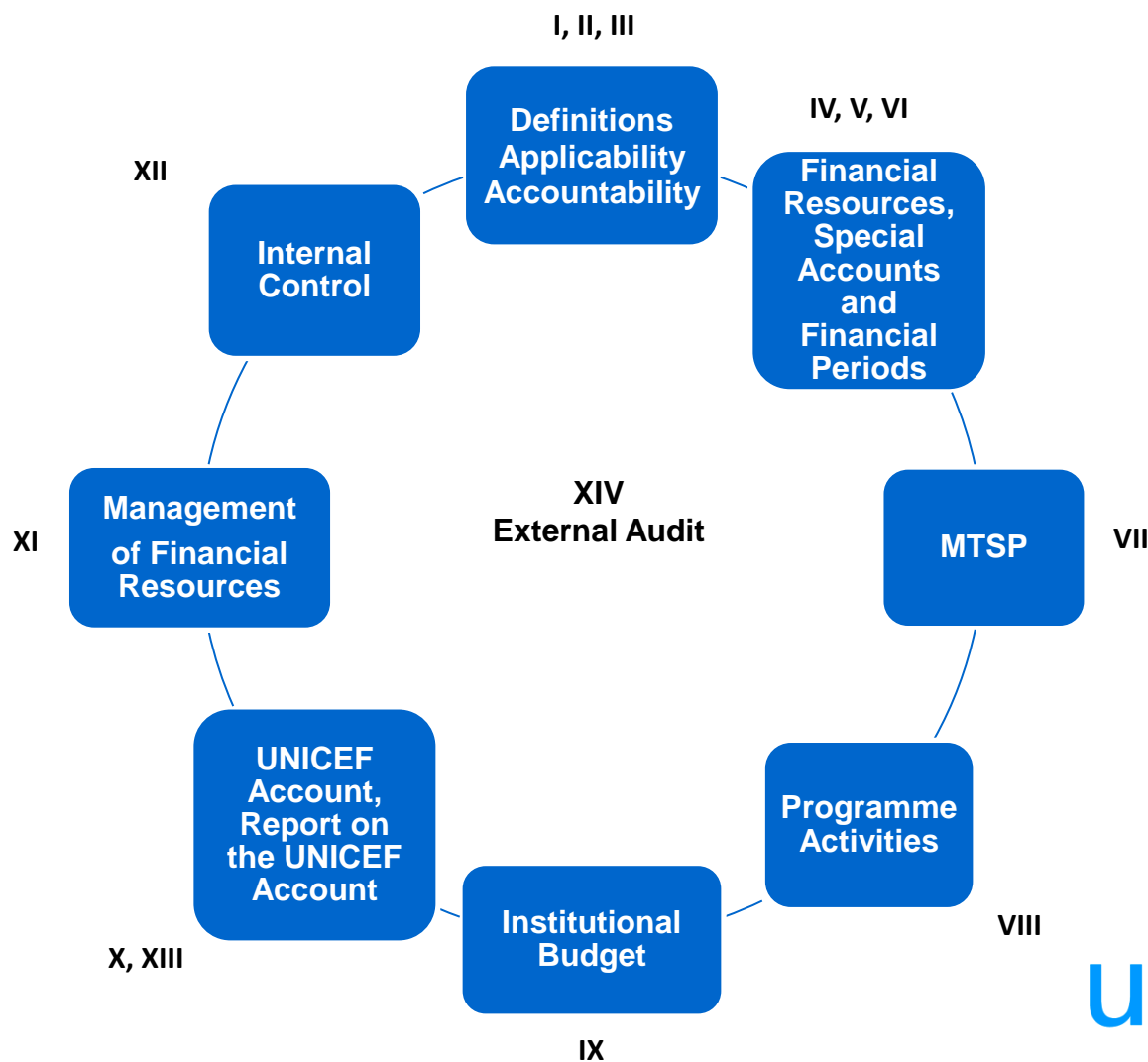
# Development process

- Working group consisting of the UN Secretariat, UNDP, UNFPA and UNICEF.
  - Objective of the exercise was to harmonise on principal changes to the Financial Regulation and Rules as a result of IPSAS and the new cost classifications
- Consultations took place with the following:
  - UN Board of Auditors
  - United Nations Office of Legal Affairs
  - Audit Advisory committee
  - Internal Audit
  - ACABQ

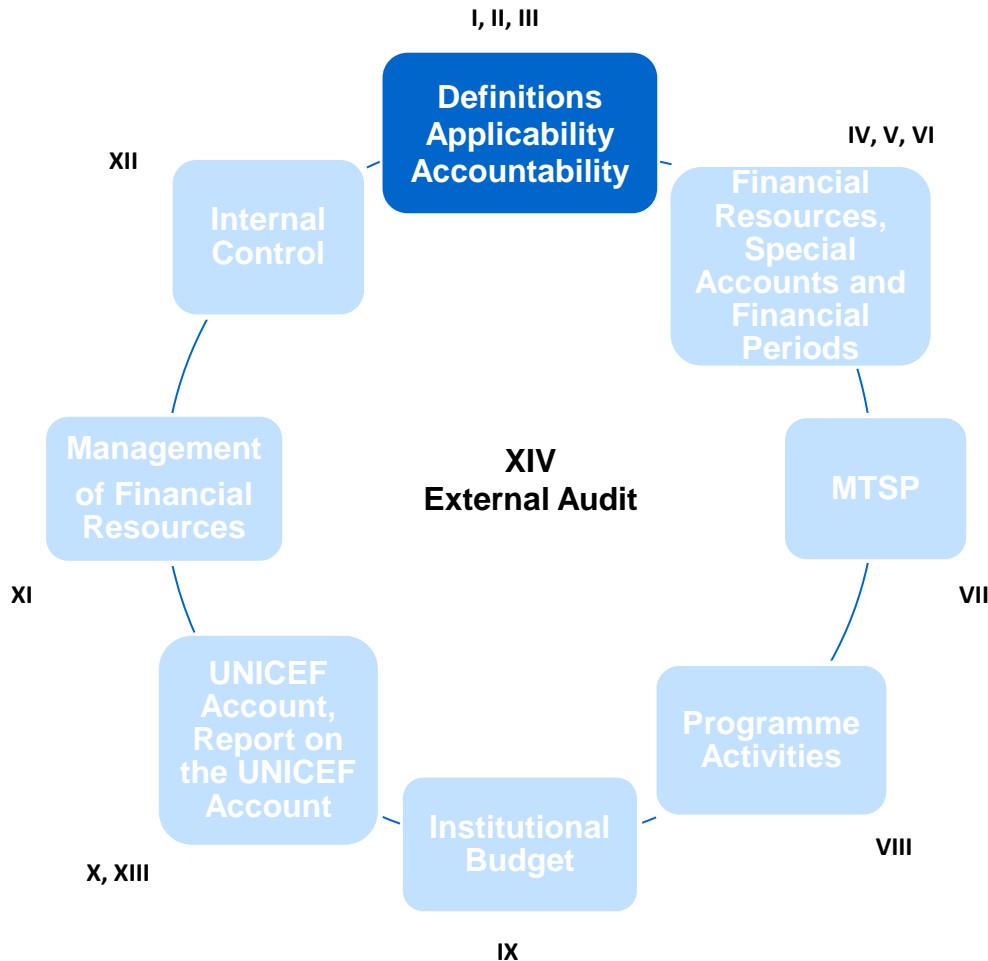
# Reasons for proposed changes to the Financial Regulations and Rules

- **IPSAS changes**
  - Changes to the Financial Regulations and Rules to reflect the adoption of International Public Sector Accounting Standards (IPSAS), per the General Assembly resolution 60/283 of July 2006 and the Executive Board decision 2007/10.
- **New cost classifications**
  - The revised cost definition and classification on the Joint report of UNDP, UNFP and UNICEF on the road map to an integrated budget: cost classification and results-based budgeting, per Executive Board decision 2010/32
- **Integration of cards and gifts supplement**
- **Other Changes**
  - Other changes were made to update Financial Regulations and Rules that were critical to correctly reflect current organisational structures, working methods and terminology.

# UNICEF Financial Regulations and Rules

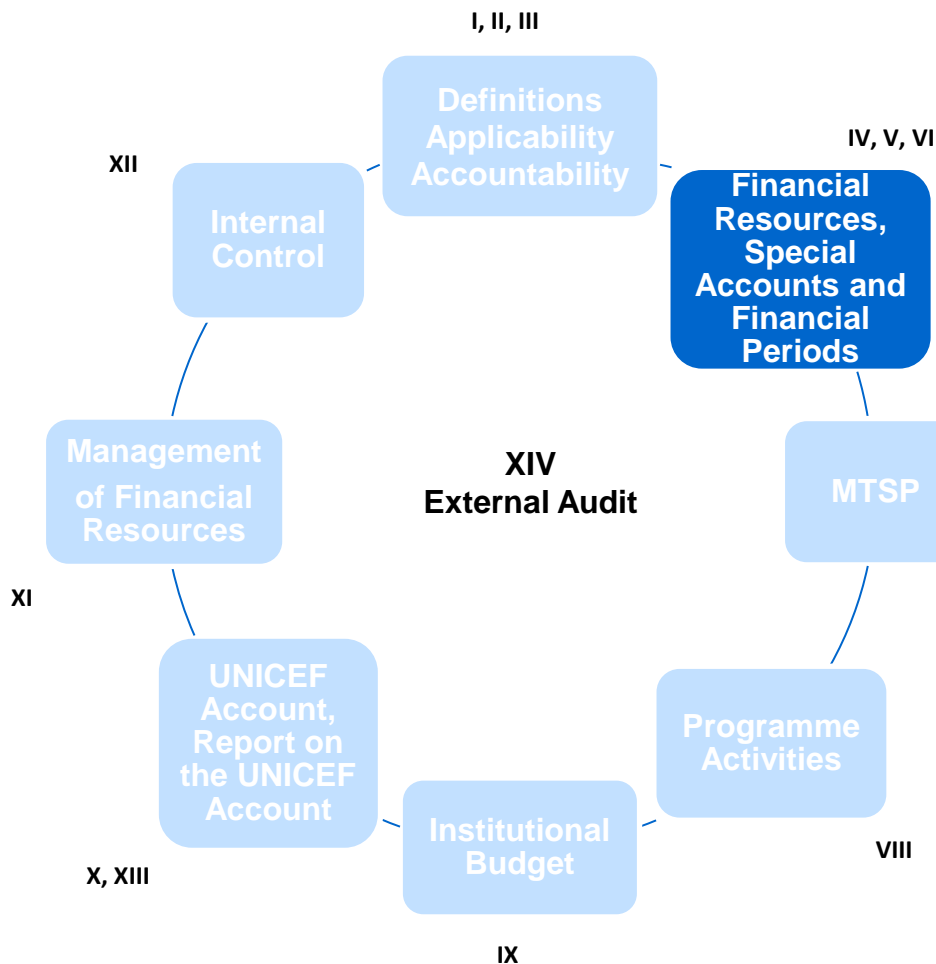


# Articles I, II and III: Definitions, Applicability, Accountability



- Definitions updated for new terms, e.g. budget classification, commitments, inventory, intangibles, property plant and equipment
- Language updated for consistency throughout document

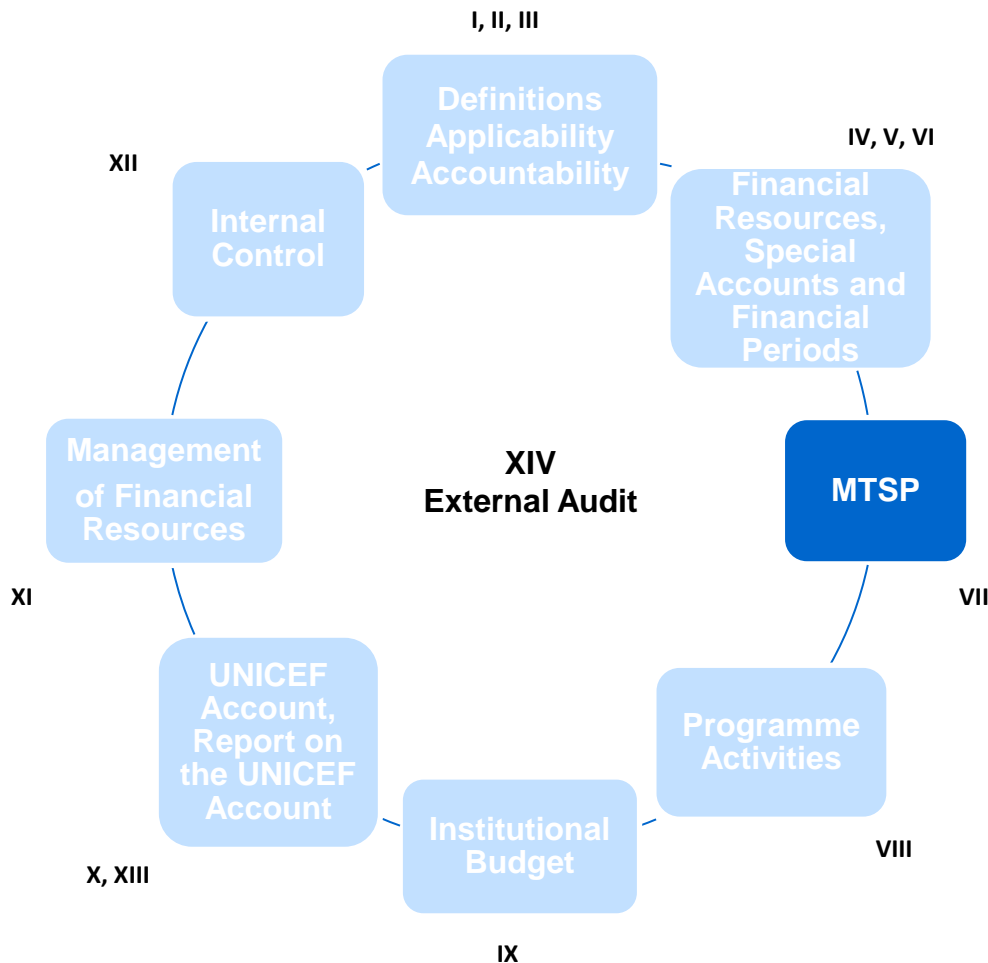
# Articles IV, V, VI: Financial Resources, Special Accounts, Financial Periods



- Income replaced with revenue
- Accounting for income recognition and special accounts removed so as to be guided by IPSAS
- Distinction made between pledges and contributions
- “Fund” terminology replaced with “financial resources” as appropriate
- Regular and Other Resources defined
- In-kind contributions and conditions defined
- Foreign exchange funding clarified
- “Donor” terminology replaced in Special Accounts Article
- Financial and budget period defined

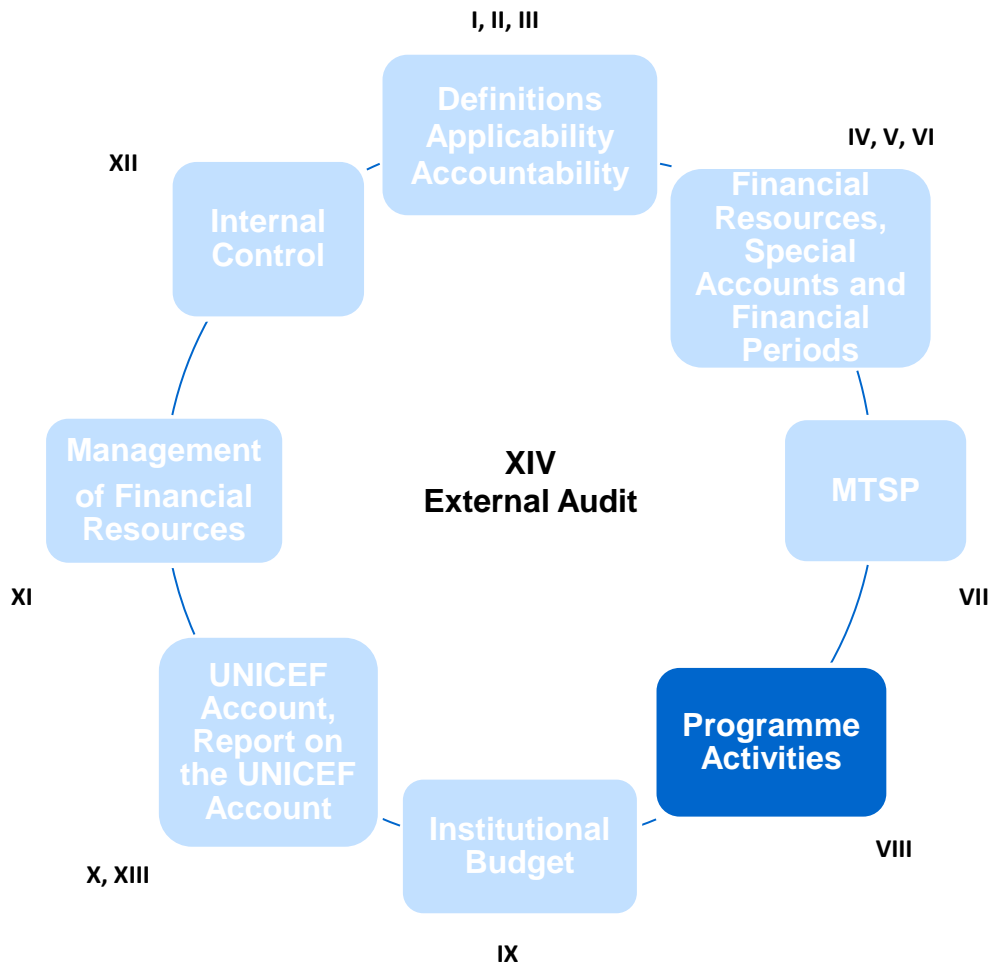


# Articles VII: Medium Term Strategic Plan



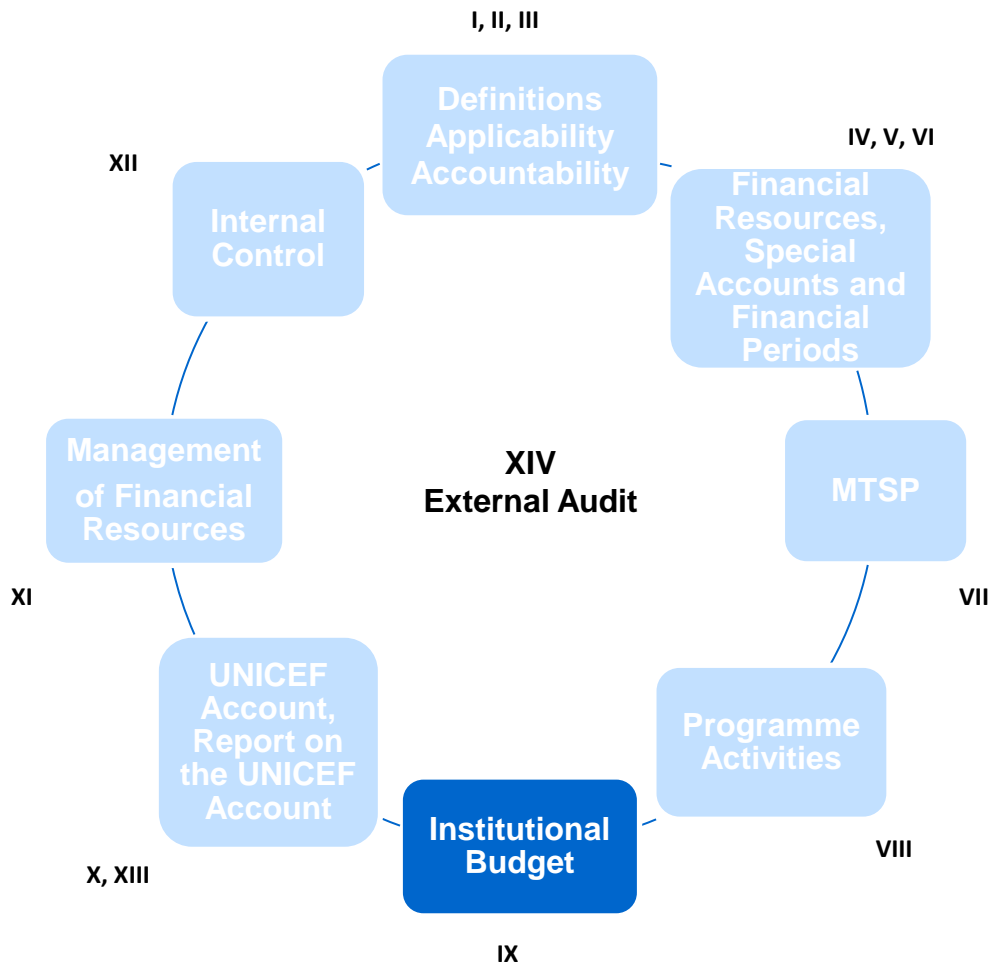
- Distinction made between MTSP and MTSP PFE (Planned Financial Estimates)
- Programme period defined
- Terminology updated for budget cost classification
- PFP workplan integrated
- National Committee retention rate clarified

# Articles VIII: Programme Activities



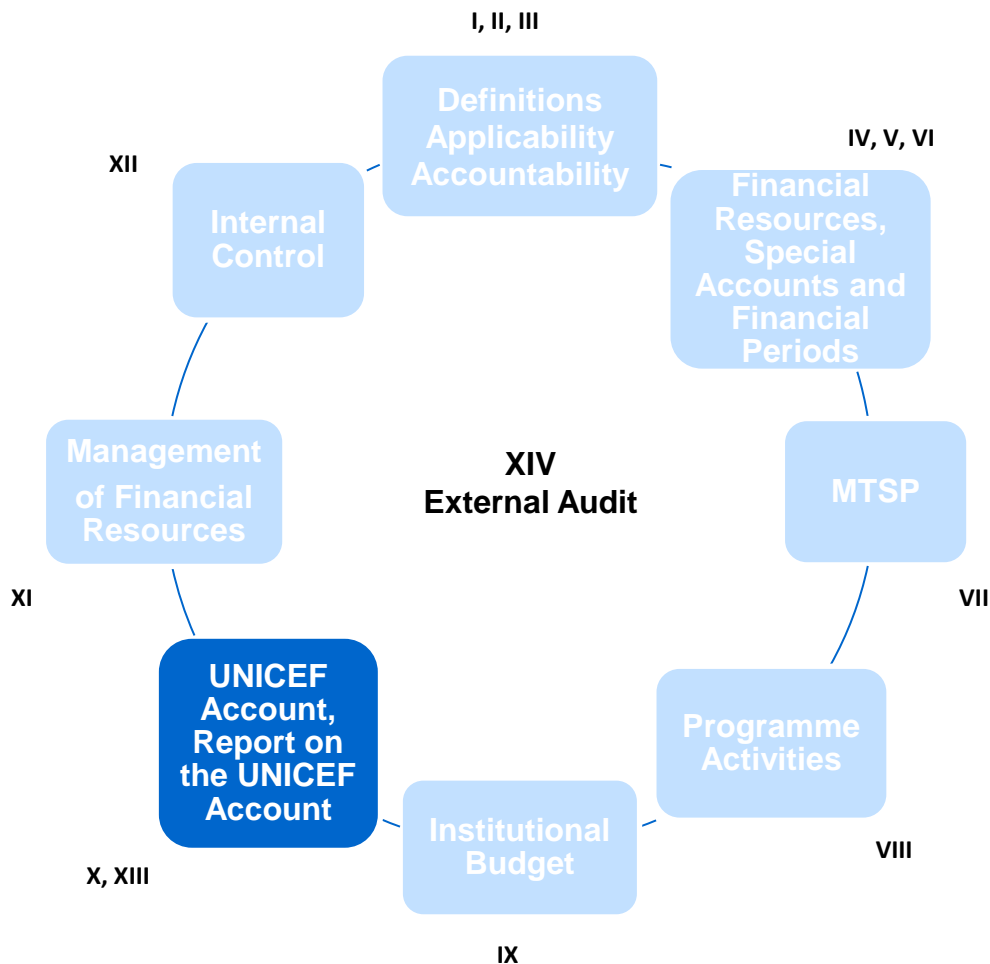
- Distinction between programme costs and expense
  - Obligation and expenditure replaced with commitment, disbursement, expense or costs, as appropriate.
- IPSAS guides accounting of refunds

# Articles IX: Institutional Budget



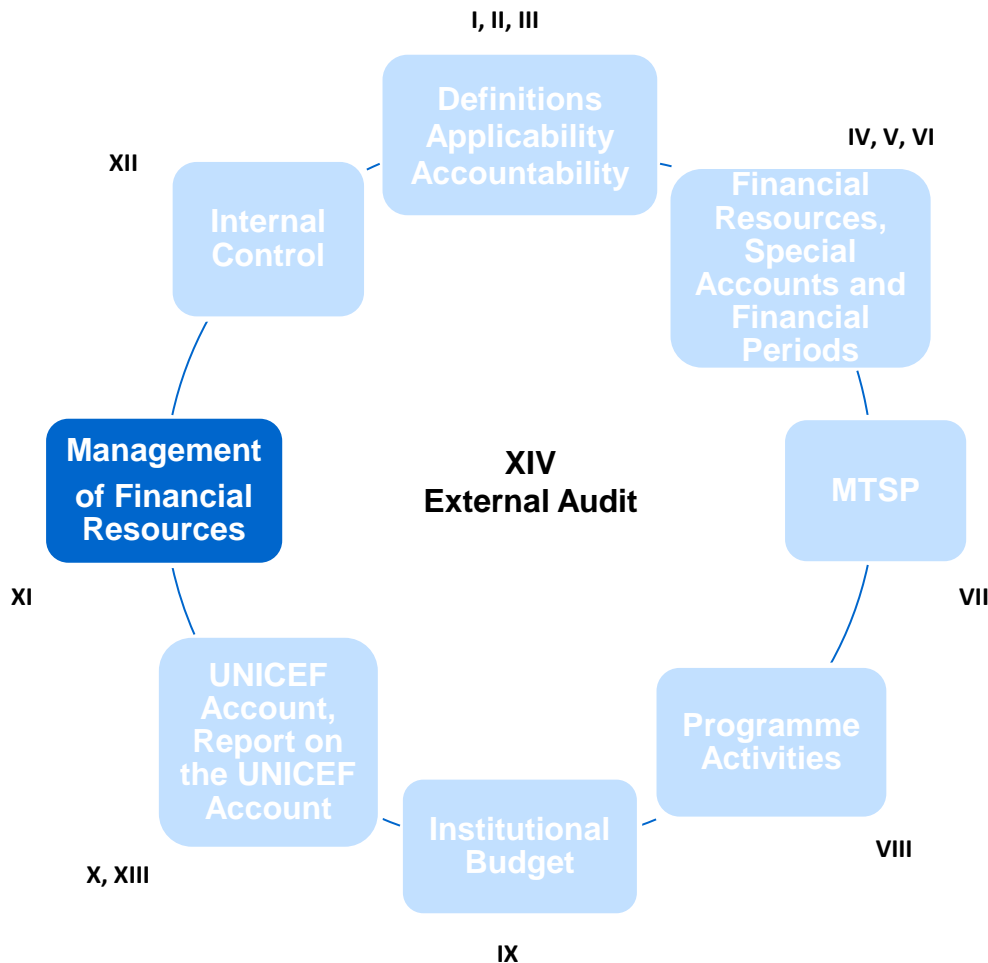
- Support budget redefined as Institutional Budget
- Language updated cost categories for budgeting
- Budget utilization defined
- “Biennium” replaced with concept of budget period

# Articles X, XIII: UNICEF Account, Report on the UNICEF Account



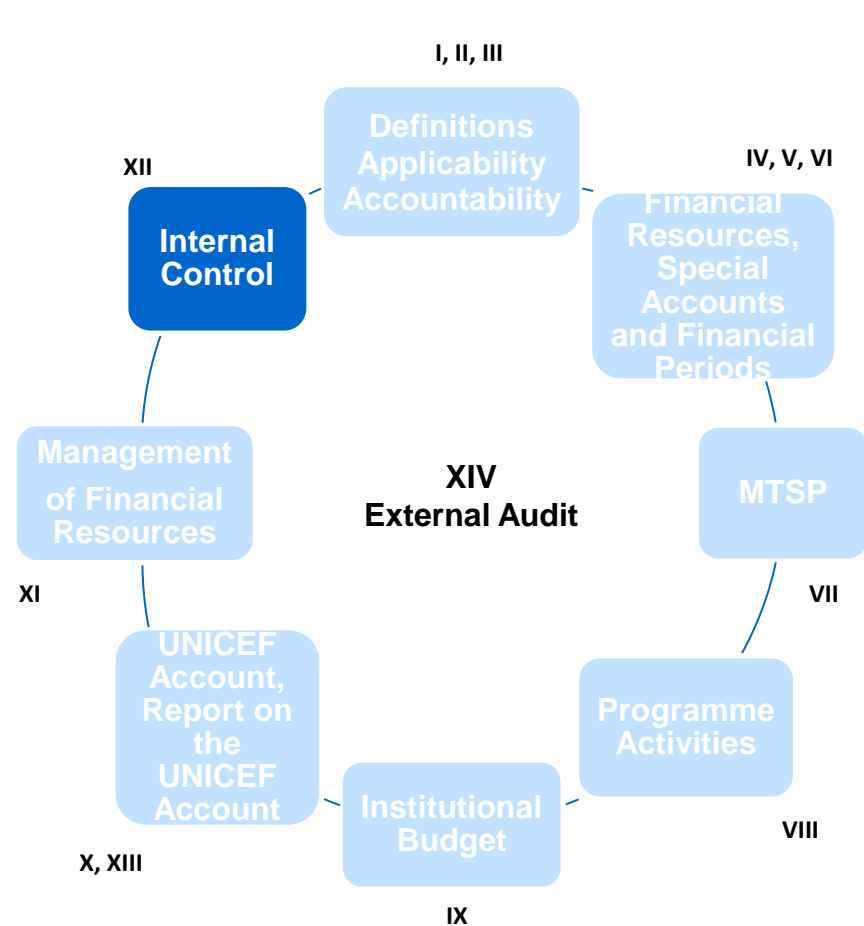
- UNICEF Account definition clarified
- IPSAS guides Financial Statements and transactional accounting
- Accounting records allow for management and Executive Board reporting
- PFP reporting to the Executive Board integrated

# Articles XI: Management of Financial Resources



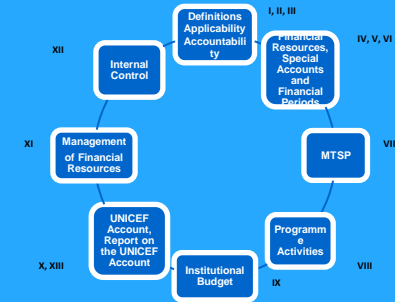
- Language clarified – IPSAS implications of current terminology used

# Articles XII: Internal Control



- Electronic documentation and approval introduced
- Controls categorized by process instead of person
- Supplies & equipment terminology replaced with concept of inventory, PP&E and intangibles, as appropriate, in purchasing and physical controls
- Obligation and expenditure replaced with commitment, disbursement, expense or costs, as appropriate
- Losses and write-off language expanded for all assets with harmonized language
- Cards and gifts operations integrated and updated for current business practices
- Internal audit strengthened for accountability framework: governance, risk management and controls

# ACABQ



- Commends UNICEF for pursuing wide consultation
- Emphasizes the importance of consulting OLA to ensure an overall consistency in the interpretation of terms and definitions.
- Trusts that UNICEF to ensure FRRs remain in compliance with IPSAS and harmonized with the other UN funds and programmes and that the harmonization efforts will extend to the formulation of detailed operating guidelines.
- Lessons learned by UNICEF should be documented and shared with other organizations.
- Expects further review and consultations to continue on cost classification categories among the UN organizations.
  - ✓ No objection to Executive Board approval.