

E/ICEF/2011/AB/L.?

Distr. Limited

31 May 2011

Original: English

United Nations Children's Fund
Executive Board
Second regular session 2011
12-15 September 2011
Item ?? of the provisional agenda

For action

UNICEF Financial Regulations and Rules

Summary

UNICEF is presenting amendments to its Financial Regulations for approval and Financial Rules for information. The primary reasons for amending the Financial Regulations and Rules are to allow for compliance with International Public Sector Accounting Standards (IPSAS) and to update the cost categories for budgeting terminology.

The General Assembly, through its resolution 60/283 of July 2006, approved the adoption of IPSAS to replace the United Nations System Accounting Standards (UNSAS). Under IPSAS, UNICEF will change from a modified accrual method of accounting to a full accrual method of accounting, resulting in improved transparency and accountability. UNICEF will adopt IPSAS in 2012. Revisions to the Financial Regulations and Rules are necessary as they currently conflict with various IPSAS principles.

Similarly, changes in cost categories for budgeting that are mandated by Executive Board decision 2010/20 will require an update of the corresponding Articles in the Financial Regulations and Rules.

Lastly, UNICEF has a supplement to the Financial Regulations and Rules for its cards and products operations (previously termed Greeting Card Operations (GCO)). It, too, must be updated for IPSAS. The Financial Rules in the supplement have been updated to reflect accurately current private fundraising and partnerships business practices and have been incorporated in these UNICEF Financial Regulations and Rules.

Contents

I. Background 3

II. Amendments to the UNICEF Financial Regulations and Rules 3

 A. IPSAS General..... 4

 B. IPSAS Revenue 4

 C. IPSAS Expense..... 4

 D. Inventory, Property, Plant and Equipment and Intangible Assets 5

 E. Institutional Budget 5

 F. Greeting Cards Operations Supplement..... 5

 G. Business practice 5

 H. Editorial 5

II. Draft decision 6

Annex

1. UNICEF Financial Regulations and Rules..... 7

I. Background

1. The Financial Regulations and Rules govern the broad financial management of UNICEF and the funds administered by UNICEF. Since its establishment, UNICEF had operated under the Financial Regulations and Rules of the United Nations. Then by decision 1987/13, taken at its 1987 Regular Session, the UNICEF Executive Board adopted the UNICEF Financial Regulations. Subsequently, the UNICEF Executive Director established the UNICEF Financial Rules. The UNICEF Financial Regulations and Rules were then published as document EICEF1988ABL.3 on 19 January 1988.

2. In accordance with Financial Regulation 2.2, the amendments to the Financial Regulations must be presented to the Executive Board for approval, after consultation with the Advisory Committee on Administrative and Budgetary Questions (ACABQ). In accordance with Financial Regulation 12.1, amendments to the Financial Rules must be presented to the Executive Board for information at least sixty (60) days before they become effective.

3. Amendments to the current UNICEF Financial Regulations and Rules and its supplement are necessary to reflect the General Assembly approval of the adoption of IPSAS, through its resolution 60/283, and Executive Board decision 2010/20 approving the new cost categories for budgeting.

4. Given the UNICEF Financial Regulations and Rules were written in 1988, with the last amendment in 1999, amendments were also made to reflect Executive Board decisions and current business practices.

5. In the interest of achieving greater harmonization with other United Nations funds and programmes, these amendments were discussed and principles were agreed to with the UN Secretariat, UNDP and UNFPA. IPSAS affects all four organizations; the cost categories for budgeting affects UNICEF, UNDP and UNFPA; and the GCO supplement is specific to UNICEF only.

6. UNICEF took a collaborative approach in amending its Financial Regulations and Rules. Consultations were held with United Nations Board of Audit, the UNICEF Audit Advisory Committee, the United Nations Office of Legal Affairs, the UNICEF Office of Internal Audit and the ACABQ.

II. Amendments to the UNICEF Financial Regulations and Rules

7. The following outlines the amendments made to the UNICEF Financial Regulations and Rules:

A. IPSAS General

8. IPSAS are accrual basis of accounting standards. Accrual basis accounting is a method that measures the performance and position of an entity by recognizing transactions in the period when they occur regardless of when cash transfers. The legacy Financial Regulations and Rules guided accounting as UNICEF operated under UNSAS, which are very broad standards. Proposed Regulations 13.1 and 13.2 mandate that all accounting is guided by IPSAS. As IPSAS is principles-based, application of IPSAS principles will be captured in UNICEF accounting policies and procedures, instead of within the Financial Regulations and Rules. In addition, IPSAS requires various provisions and terminologies to change.

9. The concept of “period” has been clarified in the Financial Regulations and Rules, now specifically referring to a “budget period”, a “financial period” and a “programme period”, which each can have its own distinct length of time. The words “biennial” and “biennium” have been removed as they are currently used to refer to the period of the support budget and the period of the audited financial statements. Removing these words provides flexibility in determining the budget period of the Institutional Budget (refer to section II.E. below), 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, IPSAS defines a financial period as one 12-month period. The term “financial period” in the Financial Regulations and Rules will now refer to this 12-month period. The term “programme period” is used to define the period of programmes as set by the Executive Board. All uses of the word “financial period” have been reviewed and replaced with “budget period”, “finance period” or “programme period”, as appropriate.

10. The Financial Regulations and Rules were not consistent in the use of the word “funds”. Depending on the context, the term meant financial resources or cash. To not confuse the reader with fund accounting, the term “funds” has been replaced with “financial resources,” except when it refers to cash and/or its equivalent.

B. IPSAS Revenue

11. The UNSAS term of income is no longer applicable and has been replaced with the IPSAS term of revenue. Under UNSAS, income represented funds received on a cash basis or contributions accrued. Revenue under IPSAS represents an enforceable right to receive an asset, regardless of the actual transfer of that asset.

C. IPSAS Expense

12. The UNSAS concept of expenditure and obligations is no longer applicable under IPSAS and has been replaced with the terms “expense”, “commitment”, “commitments and disbursements”, “costs” or “utilization of resources”, depending upon the context of the terms. While “expenditure” previously equated to “the sum of disbursement and unliquidated obligations”, in accrual accounting, “expense” is recognized when goods or services are received, regardless of

cash transfer. However for budget control purposes, commitments will continue to be credited as utilization of UNICEF financial resources even if goods or services have not been received.

D. Inventory, Property, Plant and Equipment and Intangible Assets

13. Under IPSAS, UNICEF must capitalize inventory, property, plant and equipment, and intangible assets. UNSAS guided the concepts of “non expendable property”, “land and buildings” and other assets, which included “inventories” without defining the terms. In the UNICEF Financial Regulations and Rules, the terms “supplies” and “cards and gifts” are used to refer to what IPSAS terms inventory. The definition of inventory, property, plant and equipment and intangible assets has been added to the Financial Regulations and Rules and the appropriate replacement of the UNSAS terms for IPSAS terms has been made.

E. Institutional Budget

14. In the context of the harmonized work done by UNICEF, UNDP and UNFPA on the cost classification, the “Support Budget” has been relabelled as the Institutional Budget. The terminology for the cost classification has also been updated throughout the document.

F. Greeting Cards Operations Supplement

15. UNICEF has integrated its supplement to the Financial Regulations and Rules on the UNICEF cards and products operations (previously termed Greeting Card Operations (GCO)). The language has also been updated to reflect our current private fund raising and partnership business practices.

G. Business practice

16. The Financial Regulations and Rules were written in 1988, with the last amendment in 1999. They contain dated terminology and have been updated to reflect Executive Board decisions and current business practices, e.g. terminology of regular and other resources, programme terminology, electronic documentation and so forth.

H. Editorial

17. Finally, minor editorial changes were made to the Financial Regulations and Rules for clarity and consistency purposes where the document benefitted from improvement in language or format.

18. The complete, amended UNICEF Financial Regulations and Rules are contained in Annex I.

II. Draft decision

The Executive Board

1. *Takes note* of the report of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) (E/ICEF/2011/AB/L.?)
2. *Approves* the proposed changes to the Financial Regulations as contained in document E/ICEF/2011/AB/L.?; and
3. *Takes note* of the proposed changes to the Financial Rules as contained in document E/ICEF/2011/AB/L.?

DRAFT

CONTENTS

Article	Regulation	Rule
PREFACE		
I	DEFINITIONS	1.1 – 1.2 101.1-101.2
II	APPLICABILITY	2.1 – 2.6 102.1-102.4
III	ACCOUNTABILITY	3.1 103.1-103.2
IV	FINANCIAL RESOURCES	4.1 – 4.9 104.1-104.4
V	SPECIAL ACCOUNTS	5.1 – 5.3 105.1-105.10
VI	FINANCIAL PERIODS	6.1 – 6.4
VII	MEDIUM TERM STRATEGIC PLAN	7.1 – 7.6 107.1-107.8
VIII	PROGRAMME ACTIVITIES	8.1 – 8.14 108.1-108.11
IX	INSTITUTIONAL BUDGET	9.1 – 9.15 109.1-109.7
X	THE UNICEF ACCOUNT	10.1 – 10.4 110.1-110.3
XI	MANAGEMENT OF FUNDS	11.1 – 11.4 111.1-111.14
XII	INTERNAL CONTROL	12.1 – 12.8 112.1-112.50
XIII	REPORT ON THE ACCOUNTS	13.1 – 13.4 113.1-113.8
XIV	EXTERNAL AUDIT	14.1 – 14.2

Article I. DEFINITIONS

Regulation 1.1: For the purpose of these Regulations, the following definitions of the main entities involved in the activities of UNICEF shall apply:

- (a) "UNICEF" shall mean the United Nations Children's Fund;
- (b) "General Assembly" shall mean the General Assembly of the United Nations;
- (c) "Executive Board" shall mean the Executive Board of UNICEF;
- (d) "Advisory Committee" shall mean the Advisory Committee on Administrative and Budgetary Questions of the United Nations;
- (e) "Secretary-General" shall mean the Secretary-General of the United Nations or the Officials to whom the Secretary-General has delegated authority and responsibility for the matter in question;
- (f) "Executive Director" shall mean the Executive Director of UNICEF or the Officials to whom the Executive Director has delegated authority and responsibility for the matter in question; and
- (g) "Board of Auditors" shall mean the United Nations Board of Auditors.

Regulation 1.2: For the purpose of these Regulations the following definitions in respect of specific terms used shall apply. These terms are listed in alphabetical sequence.

- (a) "Appropriations" shall mean the total amount approved by the Executive Board for specified purposes for the current budget against which Commitments may be incurred for those purposes up to the amounts so approved.
- (b) "Appropriation Line" shall mean a subdivision of the Appropriations for which a specific amount is shown in the Appropriations decision.
- (c) "UNICEF Cards and Products Operations" shall mean the activities undertaken by UNICEF, or by authorised external parties, to generate public support and funds for UNICEF, through, in part, the design, production or procurement, marketing and sale of greeting cards and other products.
- (d) "Commitment" shall mean a legally binding obligation on UNICEF's part arising from a written contract or other written agreement entered into by UNICEF that is expected to result in the disbursement of UNICEF financial resources.

- (e) "Contributions" shall mean voluntary contributions, whether accepted by UNICEF in cash or in kind, from Governments as well as from intergovernmental organizations, non-governmental organizations, voluntary agencies, individuals and other sources.
- (f) "Development Activities" shall mean the combination of Programme Activities and Development Effectiveness Activities and those terms shall have the following meaning:
 - (i) "Programme Activities" shall mean those activities corresponding to specific programme components or projects, and which contribute to the delivery of development results contained in country, regional, or global programme documents or other programming arrangements; and
 - (ii) "Development Effectiveness Activities" shall mean activities of a policy- and technical-advisory and implementation nature that are needed for achievement of the objectives of programmes and projects in the focus areas of UNICEF and that contribute to the effective achievement of specified development results.
- (g) "Host Country" shall mean a country which receives programme support from UNICEF, either through a UNICEF Office in that location or from a UNICEF Office located elsewhere.
- (h) "Institutional Budget" shall mean Appropriations for UNICEF activities related to Development Effectiveness, Management, United Nations Development Coordination and Special Purposes as set out in Article IX.
- (i) "Intangible assets" shall mean identifiable non-monetary assets without physical substance.
- (j) "Inventory" shall mean i) assets to be transferred in the implementation of Programme Activities; ii) UNICEF cards and products, including any materials or supplies used in their production iii) any other assets that may be held for transfer (or sale) in the ordinary course of UNICEF's activities.
- (k) "IPSAS" shall mean International Public Sector Accounting Standards.
- (l) "Management Activities" shall mean activities with the primary function of promoting the identity, direction and well-being of UNICEF. These include executive direction, representation, external relations and partnerships, corporate communications, legal, oversight, audit, corporate evaluation, information technology, finance, administration, security and human resources. This includes activities and associated costs of a recurring and non-recurring nature.
- (m) "National Committees for UNICEF" shall mean national organizations which have concluded a Recognition and Cooperation agreement with UNICEF for the purpose of promoting the aims and objectives of UNICEF.

- (n) "Official(s)" shall mean UNICEF staff member(s) employed under the Staff Regulations and Rules of the United Nations.
- (o) "PFP" shall mean UNICEF's Private Fundraising and Partnerships Division.
- (p) "Pledge" shall mean a written instrument by which a donor indicates an intention to make a Contribution of a specified amount at a future date.
- (q) "Property, plant and equipment" shall mean those tangible assets that are held for use in the activities of UNICEF and are expected to be used during more than one financial period.
- (r) "Special Purpose Activities" shall mean activities of a cross-cutting nature that involve either (i) Capital Investments, or (ii) services for other United Nations System organizations, and the costs of which do not relate to the Management Activities of UNICEF. "Capital Investments" in context of Special Purpose Activities shall refer to significant projects involving purchases or improvements of UNICEF assets of a tangible or intangible nature.
- (s) "United Nations Development Coordination Activities" shall mean activities supporting the coordination of development activities of the United Nations System.

Definition

Rule 101.1: For the purposes of these Rules the definitions provided in UNICEF Financial Regulation 1.1 shall apply.

Rule 101.2: Under these Rules, the following additional definitions shall apply:

- (a) "Head of the Office(s)" shall mean the Official in charge of the entity defined in paragraph (c) below;
- (b) "Office(s)" shall mean any organizational unit at headquarters or any UNICEF office away from headquarters; and
- (c) "Regulations" shall mean the UNICEF Financial Regulations.

Article II. APPLICABILITY

Regulation 2.1: These Regulations shall govern the financial management and operation of UNICEF and shall apply to all financial resources administered by UNICEF.

Regulation 2.2: Amendments to these Regulations may be made only by the Executive Board, after due consultations with the Advisory Committee.

Regulation 2.3: The Executive Director shall administer these Regulations consistently with the applicable resolutions and decisions of the General Assembly, the Economic and Social Council and the Executive Board.

Regulation 2.4: These Regulations shall come into effect on 1 January 2012 and shall be promulgated by the Executive Director.

Regulation 2.5: In regard to any matter not specifically covered by these Regulations, the appropriate provisions of the Financial Regulations of the United Nations shall, mutatis mutandis, apply.

Regulation 2.6: The administration of financial resources obtained from or through UNICEF by other organizations or entities designated by the Executive Director for the implementation of activities approved by UNICEF may be carried out under their respective financial regulations, rules, practices and procedures subject to such agreements as may be concluded between UNICEF and such organizations or entities.

Authority and applicability

Rule 102.1: These Rules shall apply to all the financial activities of UNICEF except as may otherwise be provided by the Executive Board or specifically exempted therefrom by the Executive Director.

Rule 102.2: Except where otherwise provided under these Rules, the relevant Financial Rules of the United Nations shall apply in any application of Regulation 2.5.

Rule 102.3: The Comptroller shall, on behalf of the Executive Director, administer these Rules and shall determine the proper application of Rule 102.2. The Comptroller may by written instructions delegate his or her authority under this Rule to other Officials.

Rule 102.4: These Rules may be amplified by the Comptroller through appropriate administrative issuances or directives establishing procedures and instructions for the proper administration of these Rules.

Article III. ACCOUNTABILITY

Regulation 3.1: The Executive Director is fully responsible and accountable to the Executive Board for all phases and aspects of UNICEF activities.

Accountability

Rule 103.1: All Officials shall be accountable to the Executive Director for the regularity of actions taken by them in the course of their official duties. Any Official who takes action contrary to the Regulations, Rules, administrative issuances or directives may be held personally responsible and financially liable for the consequences of such action.

Rule 103.2: Any Official may be required to reimburse UNICEF either partially or in full for any financial loss suffered by UNICEF as a result of that Official's negligence or of his or her having violated any Regulation, Rule, administrative issuance or directive.

Article IV. FINANCIAL RESOURCES

Regulation 4.1: The financial resources administered by UNICEF shall consist of:

- (a) The revenue of UNICEF; and
- (b) The funds received for special accounts as set forth in Article V.

Regulation 4.2: The revenue of UNICEF shall consist of:

- (a) Contributions;
- (b) Proceeds from the sale of UNICEF cards and products and from other revenue-producing activities; and
- (c) Miscellaneous revenue.

Regulation 4.3: Pledges may be made to UNICEF at special pledging conferences or in response to a specific request or appeal by the Executive Director or the Secretary-General. They also may be received by UNICEF, unsolicited or as a result of fund-raising activities, through the National Committees for UNICEF and otherwise.

Regulation 4.4: Contributions to UNICEF may be paid in a single payment or in accordance with a schedule of payments included in the document signed between UNICEF and the donor.

Regulation 4.5: Contributions to UNICEF to finance programmes or projects approved by the Executive Board subject to supplementary financial resources shall be accepted in accordance with such principles as the Executive Board may establish, provided that such Contributions:

- (a) Will be acceptable to the Host Country or Countries;
- (b) Include amounts sufficient to defray expenses related to their administration.

Other Resources

Rule 104.1: Supplementary financial resources are to be accepted on the basis of an agreement with the donor, or some other appropriate document, specifying the purpose and terms of the Contribution and shall be referred to as "Other Resources".

Regulation 4.6: Contributions to UNICEF may be accepted:

- (a) In cash, in currencies which are usable or convertible by UNICEF;
- (b) In kind (where they are goods, services, or real property) (i) in a form that can be utilized for the purposes of UNICEF; and (ii) unless otherwise agreed by the Executive Director, at no cost to UNICEF.

Contributions towards local costs

Rule 104.2: Contributions by Governments towards the local costs of a UNICEF Office in the Host Country may be made in local currency.

Rule 104.3: The Executive Director shall establish policies governing the conditions and criteria under which UNICEF will accept Contributions in kind as defined in Regulation 4.6 (b).

Regulation 4.7: All revenue of UNICEF shall be credited to the UNICEF Account, referred to in Article X, and shall be classified taking into account any restrictions agreed to by UNICEF in connection with such revenue, as follows:

- (a) Unrestricted Contributions, proceeds from the sale of UNICEF cards and products and from other revenue-producing activities and miscellaneous revenue shall be credited as “Regular Resources”;
- (b) Restricted Contributions shall be credited as “Other Resources”, with restricted Contributions for emergency operations being credited as “Other Resources (Emergency)”.

Contributions for emergency operations

Rule 104.4: In the event that financial resources are needed for emergency relief operations, the Executive Director may, notwithstanding the establishment of the Emergency Reserve in accordance with Rule 110.3, appeal for Contributions in accordance with Regulation 4.3. Such Contributions shall be credited as revenue to the UNICEF Account and disbursed for the purposes for which they are received in accordance with these Regulations and Rules.

Regulation 4.8: All revenue recorded in currency other than United States dollars in the UNICEF Account shall be converted into United States dollars using the United Nations operational rates of exchange on the date at which revenue is recognized.

Regulation 4.9: Differences in the United States dollar value of Contributions resulting from the timing difference between revenue recognition and payment of Contributions in currencies other than United States dollars shall be recorded against these Contributions.

Article V. SPECIAL ACCOUNTS

Regulation 5.1: Special accounts may be established by the Executive Board or by the Executive Director for particular purposes consistent with the policies, aims and activities of UNICEF. The purpose and limits of each special account shall be defined by the authority which established it at the time such special account is established.

Establishment of special accounts

Rule 105.1: Each special account shall be established on the basis of a resolution or decision of the Executive Board, or a written agreement signed by the Executive Director and the party or parties requesting the establishment of such special account, or express terms of reference issued by the Executive Director for the special account concerned, or as provided under Rule 105.6.

Rule 105.2: A written agreement signed in accordance with Rule 105.1 shall specify the amount and purpose of the funds to be received, the activities to be financed and their duration and shall include such other provisions as the Executive Director shall consider necessary to give effect to the policies, aims and Regulations of UNICEF.

Rule 105.3: UNICEF may enter into Commitments for the activities to be funded from special accounts after adoption, signature or issuance of the basic document required for the establishment of the special account:

- (a) Upon receipt of the necessary funds into the special account; or
- (b) Where UNICEF and the party or parties requesting the establishment of the special account agree on a specific payment schedule.

Rule 105.4: Unless otherwise provided by the Executive Board, special accounts and the activities financed therefrom shall be administered in accordance with the applicable Regulations, Rules, administrative issuances, and directives. The Comptroller shall institute procedures consistent with these Rules for the management of special accounts.

Regulation 5.2: Within the policies and guidelines approved by the Executive Board, the Executive Director may establish special accounts for funds received by UNICEF to procure or provide supplies, property, plant or equipment and other assets and services at the request and on behalf of Governments, agencies or other organizations. A written agreement is to be concluded between UNICEF and the requesting Government, agency or organization, specifying the nature and cost of the services to be furnished by UNICEF and providing for full financing of all actual and incidental expenses connected with such procurement.

Purchasing activities by special agreement

Rule 105.5: UNICEF may enter into special arrangements with Governments, other organizations of the United Nations System, and governmental and non-governmental organizations to undertake activities on their behalf for the purchase of supplies, property, plant or equipment and other assets and services, where such materials and services are required for purposes related to UNICEF activities and consistent with the aims and policies of UNICEF. Such arrangements shall be on the basis of written agreements which shall include provisions for UNICEF to receive payment in advance to cover all costs of the purchasing activities to be undertaken by UNICEF, except where a payment schedule acceptable to UNICEF has been agreed upon covering such costs or where

reciprocal arrangements already exist or have been concluded with the recipient, with the approval of the Comptroller.

Rule 105.6: Special accounts shall be established to which all funds received by UNICEF for the purchasing activities under Rule 105.5 shall be credited and disbursements charged. Upon closure of a special account, any uncommitted balance or accrued interest on such special accounts shall be dealt with in accordance with Rules 105.9 and 105.10.

Rule 105.7: All financial and other transactions for the purchasing activities under Rule 105.5 shall be conducted in conformity with the relevant Regulations, Rules, administrative issuances and directives.

Rule 105.8: UNICEF shall take out and maintain such insurance as it determines is necessary against risks of claims associated with the purchasing activities under Rule 105.5, covering, among others, the procurement, shipment, provision or use of any materials or services, conducted on behalf of Governments, agencies or other organizations. The costs of such insurance shall be borne by the requesting Government, agency or organization.

Regulation 5.3: Funds placed in special accounts, unless otherwise provided by the Executive Board:

- (a) Shall not involve any direct or indirect additional financial liability for UNICEF;
- (b) Shall include amounts sufficient to defray expenses related to their administration as shall be determined by the Executive Director.

Uncommitted balances on special accounts

Rule 105.9: Upon closure of a special account, any uncommitted balance shall be dealt with by UNICEF in consultation with the party or parties requesting the establishment of such special account.

Interest on special accounts

Rule 105.10: In conformity with Regulation 11.4, any interest accrued on special accounts shall be credited to the UNICEF Account as Regular Resources.

Article VI. FINANCIAL PERIODS

Regulation 6.1: UNICEF shall have a medium-term strategic plan, as provided for in Article VII, covering a planning period as determined by the Executive Board.

Regulation 6.2: To provide for continuity in the programming and implementation of UNICEF co-operation in programmes, the programme period for the purpose of the proposed utilization of financial resources and of the entering into Commitments in respect to Programme Activities shall be the duration of each programme as provided for in Article VIII.

Regulation 6.3: The financial period for the purpose of accounting for expenses incurred in respect of activities shall consist of a single calendar year.

Regulation 6.4: For the purpose of recording utilization of financial resources against the Institutional Budget, the budget period shall be determined by the Executive Board.

DRAFT

Article VII. MEDIUM-TERM STRATEGIC PLAN

Regulation 7.1: The Executive Director shall, in conformity with criteria and conditions approved by the Executive Board, propose a medium-term strategic plan to the Executive Board for its approval, recommending the apportionment and utilization of the existing and anticipated resources of UNICEF over the plan period. The medium-term strategic plan shall describe in detail general objectives, fund-raising, financial and programme strategies and priorities, and overall capacity requirements in terms of personnel, programme support and administrative services, in order to implement the activities proposed in the plan. It shall contain a financial plan, expressed in United States dollars.

Duration of Programmes

Rule 107.1: UNICEF co-operation in programmes shall normally be prepared within the framework of national plans and priorities taking into account past programme experience and the programme objectives and priorities, as provided in the medium-term strategic plan. The duration of each programme shall be determined by the Executive Board taking into account the Host Country's wishes, the matters set out in Rule 108.2, and the activities of other United Nations System organisations in the Host Country.

Regulation 7.2: The financial plan annexed to the medium-term strategic plan shall provide, in detail, the financial projections of:

- (a) Estimated future financial resources for each year of the plan period;
- (b) Estimated yearly levels of costs for (i) Development Activities, United Nations Development Coordination Activities, Management Activities and Special Purpose Activities of UNICEF, and (ii) the acquisition of Capital Investments which the estimated future financial resources of UNICEF would make possible; and
- (c) Working capital levels required for the liquidity of UNICEF.

Planning period

Rule 107.2: The financial plan shall cover a planning period of four (4) calendar years consisting of the current year and the three (3) following ones. The financial plan shall be updated and revised annually with the oldest year dropped and a new year added.

PFP Work Plan

Rule 107.3: Within the framework of the UNICEF medium-term strategic plan, the Executive Director shall submit to the Executive Board, for its consideration and approval, the PFP work plan, which shall cover the same planning period as the financial plan contained in the medium-term strategic plan and shall be updated and revised annually in accordance with the same procedure as the financial plan. The PFP work plan shall consist of:

- (a) The description of PFP objectives and of the activities proposed for the duration of the plan, with a view to ensuring a margin of net revenue for UNICEF according to the objectives established by the Executive Board;

- (b) A proposed PFP budget for each year of the plan, showing (i) the annual estimate of future revenue expected to be produced by PFP activities; and (ii) the annual level of estimated financial resources required for the best achievement of PFP objectives.

Rule 107.4: The proposed PFP budget, both for revenue and expense, shall be prepared by the Executive Director in such a form as the Executive Board may prescribe.

Rule 107.5: The proposed PFP budget shall be divided into parts and sections by such category and object of expense as will adequately reflect the activities and the administration of PFP and in a way that links the PFP budget to PFP results.

Rule 107.6: The proposed PFP budget shall be accompanied by detailed tables showing, under appropriate headings:

- (a) The estimated revenue;
- (b) The proposed number of established posts, grade levels, estimated salaries and other staff-related costs;
- (c) The estimated direct and indirect expenses for goods to be produced and for inventory requirements;
- (d) The estimated variable and fixed operation expenses by functional sections and type of activities;
- (e) The estimated expenses for the acquisition of property, plant and equipment and proposed depreciation plans;
- (f) Explanatory statement with regards to estimated revenue and proposed expense levels.

Rule 107.7: The approval of the PFP budget by the Executive Board shall constitute the authorization for the Executive Director to implement PFP activities, within the limits of the approved budget.

Rule 107.8: UNICEF shall make arrangements with the National Committees for UNICEF that enable them to retain up to twenty-five per cent (25%) of their gross proceeds in any one (1) calendar year so as to meet their costs of operation (including fundraising and advocacy). The Executive Director may agree to vary this amount in exceptional circumstances and such variations shall be documented.

Regulation 7.3: The estimate of future financial resources shall take into account Contributions and Pledges for the period of the plan or a part thereof and any additional financial resources expected within the plan period. Estimations of future financial resources, including statements of Pledges, shall not imply a commitment on the part of individual donors and shall not prejudice the legislative processes and budgetary practices of donors.

Regulation 7.4: The proposed medium-term strategic plan shall be transmitted to all members of the Executive Board in accordance with the Executive Board's rules of procedure.

Regulation 7.5: The Executive Board shall, upon review of the proposed medium-term strategic plan:

- (a) Endorse the programme objectives described therein;

- (b) Approve the financial plan contained in the medium-term strategic plan as a framework of projections;
- (c) Approve the level of programme recommendations to be prepared by the Executive Director for submission to the Executive Board at its next session.

Regulation 7.6: The financial plan annexed to the medium-term strategic plan shall be revised annually and submitted to the Executive Board for approval.

DRAFT

Article VIII. PROGRAMME ACTIVITIES

Regulation 8.1: Within the framework of the medium-term strategic plan, the Executive Director shall submit to the Executive Board for review and approval multi-year country programme recommendations for the activities to be undertaken by UNICEF with Host Countries. In addition, the Executive Director may propose recommendations for regional, interregional and global programmes for review and approval by the Executive Board.

Programme recommendations

Rule 108.1: The UNICEF Head of Office in the Host Country shall, in consultation with the responsible national authorities, prepare programme recommendations containing the activities in which UNICEF shall co-operate at the country level. In addition, UNICEF Officials designated by the Executive Director may make recommendations for activities at the regional, interregional or global level. All such recommendations shall be submitted as required to the Executive Director.

Rule 108.2: Programme recommendations shall normally contain:

- (a) An analysis of situations and identification of problems and needs to be addressed;
- (b) Evaluation of earlier phases of co-operation;
- (c) Criteria for selecting Government and UNICEF priorities;
- (d) Overall strategy of intervention and major objectives to be achieved;
- (e) Areas of intervention and main components of the programme activities;
- (f) The estimated budget which includes the cost of the supplies, equipment and cash support to be provided by UNICEF;
- (g) Plans of operations or country programme documents as provided in Regulation 8.13 with a Country Programme Action Plan to be prepared for the overall country programme with sub-plans or plans of action for the sectoral components of the programme or for development areas;
- (h) The Executive Director shall prescribe such additional requirements as necessary or as the Executive Board may otherwise require.

Rule 108.3: Programme recommendations may include activities to be financed from Regular Resources and Other Resources, provided that budget estimates for each source of funding shall be indicated separately in the plans of operations or programme documents.

Regulation 8.2: Each of the country programme recommendations shall provide, in sufficient detail, a description of the activities proposed for the duration of the programme, together with such other information and explanatory statements as may be requested by the Executive Board and as the Executive Director may deem necessary and shall be accompanied by a budget of the estimated costs of the Activities and their source of funding. Similar information shall be prepared for regional, interregional and global programme recommendations.

Regulation 8.3: Programme recommendations shall be approved by the Executive Board on the basis of estimated future financial resources as projected in the financial plan annexed to the medium-term strategic plan and may be financed from Regular Resources, Other Resources or both. Activities specified in a programme recommendation which are approved subject to the availability of Other Resources may be implemented only as and when such funds are received or committed to in writing. Where an activity specified in a programme recommendation approved by the Executive Board subject to the availability of Other Resources has an important reinforcing role for Programme Activities financed from Regular Resources, the Executive Director may, if necessary between Executive Board sessions and under the conditions and limits set by the Executive Board, implement such activity by using Regular Resources and report to the Executive Board at its next following session.

Regulation 8.4: The approval by the Executive Board of a programme recommendation or of a revision thereof shall constitute the authorization for the Executive Director to implement the programme consistent with the approved purposes and to enter into Commitments and to make disbursements within the approved budget of that programme, subject to availability of financial resources and in accordance with the actual progress and requirements of the programme.

Programme recommendation revisions

Rule 108.4: Programme recommendations for the revision of the budget approved with each programme recommendation shall be prepared and submitted to the Executive Director in accordance with Rule 108.1, as necessary, during the course of the programme.

Regulation 8.5: The Executive Director shall, on the basis of the budget approved with each programme recommendation, draw up for each approved programme annual estimates of costs which, in the aggregate, shall be within the levels of the estimated yearly costs for activities in the financial plan contained in the medium-term strategic plan, as referred to in Regulation 7.2(b). For this purpose and to allocate available resources as they are necessary, the Executive Director shall prepare a summary of estimated programme costs.

Regulation 8.6: The costs of Programme Activities for a programme period is the sum of the Commitments and disbursements made against the allocation of the period in respect of direct inputs needed to achieve the objectives of a specific project or programme. This may typically include the costs of experts, support personnel, supplies and equipment, subcontracts, cash assistance and individual or group training. Expense recognition for a financial period must be in accordance with IPSAS and relevant Executive Board decisions.

Regulation 8.7: The summary of estimated costs of Programme Activities shall be submitted to the Executive Board on an annual basis. It shall indicate, under appropriate headings and by source of funding, the annual estimated costs of Programme Activities in respect of current and proposed programme recommendations.

Costs of Programme Activities

Rule 108.5: The Executive Director shall authorize the UNICEF Head of Office, or such other Officials as the Executive Director may designate for the purpose, to enter into Commitments and to make disbursements for approved Programme Activities according to each year's requirements and the actual progress of the programme.

Regulation 8.8: Within the limit of the total annual estimated costs of Programme Activities, the Executive Director shall be authorized to incur costs above or below the individual annual estimates made for each programme in accordance with the actual progress and requirements of such programme.

Rule 108.6: The summary of estimated costs of Programme Activities may be revised by the Executive Director to reflect actual and projected costs of Programme Activities. Where, as a result of such revision, the difference between the actual and previously estimated costs of Programme Activities for any one (1) year exceeds the limit established by the Executive Board, a report thereof shall be submitted to the Executive Board.

Regulation 8.9: Within the limit established by the Executive Board, the Executive Director shall be authorized to make financial resources available between Executive Board sessions when necessary because of unforeseen circumstances, to ensure the continued operation of programmes.

Regulation 8.10: Following completion of the activities specified in a programme recommendation and satisfaction of all outstanding Commitments, any balance of the amounts approved by the Executive Board in the budget contained in each programme recommendation shall revert to the UNICEF Account referred to in Article X.

Refunds of Programme disbursements

Rule 108.7: Refunds received by UNICEF in respect of programmes operationally completed or terminated, and for which all financial transactions have been recorded, shall be credited to the UNICEF Account as Regular Resources. Refunds of programme disbursements received during the duration of the programme shall be credited to the source of funding originally charged.

Regulation 8.11: Within limits established by the Executive Board and consistent with the need to ensure efficient and economic execution of operations and activities, the Executive Director shall be authorized to purchase and stockpile, in advance of requirements, supplies and equipment such as are generally used in UNICEF programmes.

Regulation 8.12: In cases of an emergency, the Executive Director may, in agreement with the Government concerned, divert financial resources from approved activities and supplies already in the country for emergency relief and rehabilitation operations. Such operations shall be reported to the Executive Board at its next session following commencement of such operations.

Diversion of supplies and reallocation of financial resources

Rule 108.8: The Executive Director may, at the request of or with the agreement of the Government concerned, authorize the UNICEF Head of Office to divert supplies already in the country for immediate emergency relief operations within limits established by the Executive Board. Resources allocated for approved Programme

Activities in the country may be reallocated for emergency relief by the UNICEF Head of Office only in the amounts authorized by the Executive Board.

Regulation 8.13: UNICEF co-operation in programmes shall be carried out on the basis of:

- (a) A basic agreement concluded between UNICEF and the Government concerned, establishing the general terms and conditions for mutual co-operation in the country, the respective commitments of UNICEF and the Government and the administrative and technical arrangements for the implementation of UNICEF-supported programmes, including provisions for the Government to finance local costs associated with such programmes;
- (b) Plans of operation or country programme documents concluded between UNICEF, the Government concerned and, when appropriate, other organizations participating in the programme, setting out, consistently with the basic agreement:
 - (i) The objectives of the programme, the undertakings of UNICEF, the Government and the participating organizations, with a target time-schedule for carrying the programme through its various phases;
 - (ii) The estimated financial resources required to carry out specifically identified programme activities developed on the basis of actual programme requirements.

Basic agreement

Rule 108.9: The Executive Director may, by written instrument, delegate to the UNICEF Head of Office in the country or to another Official, the authority to sign, on behalf of UNICEF, the basic agreement provided for under Regulation 8.13 (a).

Plans of operation

Rule 108.10: The plans of operations or country programme documents shall be prepared and revised, as necessary, by the competent UNICEF Head of Office in accordance with Regulation 8.13 (b) and submitted to the Executive Director with the programme recommendations. They shall be implemented only upon approval of the programme recommendations by the Executive Board.

Regulation 8.14: Ownership of cash assistance, supplies, equipment, materials and other property financed by UNICEF for programme activities shall be transferred to the Government concerned or other entity nominated by it, in accordance with the basic agreement. Until transferred, ownership shall remain with UNICEF.

Transfer of ownership

Rule 108.11: The UNICEF Head of Office shall be responsible for ensuring that the transfer of ownership of cash assistance, programme supplies, equipment and materials financed by UNICEF is made consistently with the provisions of Regulation 8.14 and that such transfer is made against valid legal documents or other appropriate documentation.

Article IX: INSTITUTIONAL BUDGET

Regulation 9.1: The Executive Director shall, in conformity with criteria and conditions approved by the Executive Board, propose an Institutional Budget to the Executive Board for its approval, which shall cover the costs of Development Effectiveness Activities, United Nations Development Coordination Activities, Management Activities and Special Purpose Activities and which shall be linked to the medium-term strategic plan for the current planning period.

Institutional Budget proposals**Rule 109.1**

The proposed Institutional Budget shall comprise:

- (a) An executive summary, providing an overview of high level results and the strategy adopted;
- (b) The financial framework of the organization, covering financial resources available and the use of those resources, for both Regular and Other Resources;
- (c) The estimates already approved for the current budget period which, for the purposes of comparison, shall be indicated alongside the estimates proposed for the ensuing budget period;
- (d) The budget proposals, with explanatory statements covering Development Effectiveness Activities, United Nations Development Coordination Activities, Management Activities and Special Purpose Activities;
- (e) Relevant tables and figures on budget estimates and posts;
- (f) The amounts of administrative costs estimated to be recoverable in respect of programmes or projects financed from Other Resources, as per Regulation 4.5 (b);
- (g) Narratives or any other information as the Executive Board or the Executive Director may require; and
- (h) A draft Appropriations decision.

Rule 109.2: The Comptroller shall, consistently with these Rules, establish guidelines for submission of budget proposals to the Executive Director, by the Heads of Offices concerned, for incorporation in the proposed Institutional Budget. The budget proposals shall be reviewed and submitted to the Executive Director with the recommendation of the Comptroller in such form and at such times as the Executive Director shall prescribe.

Regulation 9.2: The Institutional Budget shall cover proposed Commitments, disbursements and anticipated revenue related to the budget period and shall be presented in United States dollars.

Regulation 9.3: Commitments incurred and disbursements made against the Institutional Budget shall be financed from UNICEF Regular Resources and amounts referred to in Regulation 4.5(b).

Regulation 9.4: The Executive Director shall, at the session of the Executive Board immediately prior to the commencement of a budget period, submit the proposed Institutional Budget for such budget period to the Executive Board. This proposed Institutional Budget shall be transmitted to all members of the Executive Board in accordance with the Executive Board's rules of procedure.

Regulation 9.5: The Executive Director shall also transmit the proposed Institutional Budget to the Advisory Committee for examination and reporting to the Executive Board.

Regulation 9.6: The Advisory Committee is requested to prepare a report to the Executive Board on the proposed Institutional Budget. This report shall be transmitted to all members of the Executive Board as soon as it is available.

Regulation 9.7: The Executive Board shall, at the session immediately prior to the commencement of a budget period, approve the Institutional Budget for such budget period.

Regulation 9.8: The proposed Institutional Budget shall be in the form 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.

Unforeseen and extraordinary expenses

Rule 109.3: Authorizations to enter into Commitments for unforeseen and extraordinary costs associated with the activities funded from the Institutional Budget shall be subject to any limits established by the Executive Board and may be issued only by the Comptroller or by such other Official as may be specifically designated by the Executive Director.

Regulation 9.9: Proposals to amend the Institutional Budget may be submitted by the Executive Director whenever necessary.

Supplementary Institutional Budget proposals

Rule 109.4: Supplementary Institutional Budget proposals shall be prepared and submitted in the same form as the initial Institutional Budget proposal.

Regulation 9.10: The Executive Director shall prepare proposals to amend the Institutional Budget in a form consistent with the approved Institutional Budget and shall submit such proposals to the Executive Board. The Executive Director shall also transmit the proposals to the Advisory Committee for examination and reporting to the Executive Board.

Regulation 9.11: Appropriations for the Institutional Budget approved by the Executive Board shall constitute an authorization to the Executive Director to enter into Commitments and to make disbursements for the purposes for which the Appropriations were approved and up to the amounts so approved.

Regulation 9.12: The Executive Director shall be authorized to make transfers:

- (a) Between the Appropriation Lines for the Institutional Budget to such limits as the Executive Board may specifically decide;
- (b) Within each Appropriation Line for the budget period without approval by the Executive Board.

Administration of institutional budget appropriations

Rule 109.5: After the proposed Institutional Budget has been approved by the Executive Board, authorizations by the Comptroller to expend budget Appropriations shall be issued annually to each Office concerned. These authorizations may take the form of:

- (a) Post authorization tables indicating the number and level of posts for each Office;
- (b) Allotment advices for the budget under the control of each Office;
- (c) Any other authorization to commit financial resources for a specific period or a specific purpose.

Rule 109.6: The Head of each Office to which an authorization has been issued according to Rule 109.5 shall be responsible for ensuring that Commitments and disbursements remain within the relevant authorizations and are incurred for the purposes for which they were authorized. Any unforeseen or extraordinary costs above category levels shall require prior authorization in accordance with Rule 109.3.

Rule 109.7: Refunds to UNICEF of disbursements financed from a given budget period shall be credited to the source of funding originally charged, if received in the same budget period or, if subsequently received, to UNICEF Regular Resources.

Regulation 9.13: Appropriations for the Institutional Budget shall be available for Commitments and disbursements during the budget period to which they relate.

Regulation 9.14: Appropriations shall remain available for twelve (12) months following the end of the budget period to which they relate, to the extent that they are required to discharge any outstanding Commitment validly entered into during such budget period. The balance of the Appropriations shall revert to the UNICEF Account.

Regulation 9.15: At the end of the twelve (12)-month period provided for in Regulation 9.14, the then-remaining balance of any Appropriations retained shall revert to the UNICEF Account as Regular Resources. Any Commitments of the budget period in question shall at that time be cancelled or, where the Commitment remains a legal liability, transferred as a Commitment against then-current Appropriations.

Article X. THE UNICEF ACCOUNT

Regulation 10.1: There shall be established the UNICEF Account for the purposes of accounting for all financial resources administered by UNICEF and the activities thereby financed.

Regulation 10.2: Working capital shall be provided from the cash resources of the UNICEF Account. The UNICEF private fundraising and partnerships operations shall be financed from UNICEF working capital.

Regulation 10.3: Within the UNICEF Account, separate sub-accounts shall be maintained for the UNICEF Greeting Card Operation and other revenue-producing activities.

Working capital

Rule 110.1: To ensure the liquidity of UNICEF, the Comptroller shall maintain balances of cash, within the cash resources of the UNICEF Account, from Regular Resources and Other Resources at the levels approved by the Executive Board pursuant to Regulation 7.2.

Status of cash resources

Rule 110.2: The Comptroller shall report annually to the Executive Board on the status of the cash resources of the UNICEF Account.

Regulation 10.4: Separate sub-accounts shall be maintained for any reserve within the UNICEF Account as may be approved by the Executive Board and for each special account established in conformity with Article V.

Emergency reserve

Rule 110.3: There shall be established an emergency reserve sub-account, within the UNICEF Account, to be maintained with such amounts as shall be approved by the Executive Board during each budget period. The emergency reserve shall be available in cases of emergency, including natural disasters, civil strife or economic emergency, where the immediate response of UNICEF is necessary to start operations until Other Resources are received through Contributions as provided in Rule 104.4.

Article XI. MANAGEMENT OF FINANCIAL RESOURCES

Regulation 11.1: The Executive Director shall designate the bank or banks in which the funds constituting the financial resources administered by UNICEF shall be deposited and maintained.

Bank accounts

Rule 111.1: The Comptroller, or those Officials authorized by the Comptroller, shall designate the banks in which the funds constituting the financial resources administered by UNICEF shall be deposited and maintained. A designation of a bank shall cover all branches of that bank.

Rule 111.2: The Comptroller, or those Officials authorized by the Comptroller, shall establish such official bank accounts as may be required for the transaction of UNICEF business. The Comptroller shall also designate the initial signatories to operate those accounts and those Officials authorized to amend the signatory panels.

Rule 111.3: If, as a result of an emergency, it is necessary to open a bank account at an Office away from UNICEF headquarters prior to the establishment of a bank account in accordance with Rule 111.2, the Head of the Office may open a bank account for deposit of UNICEF funds, on the following conditions:

- (a) Wherever possible, the bank shall be a branch of one of the banks designated under Rule 111.1;
- (b) The bank shall be instructed that the account is an official account of UNICEF and that the bank is authorized to provide any information that the Comptroller may request concerning the account;
- (c) The bank shall also be instructed that bank statements are required and to whom they are to be sent;
- (d) An immediate report of all actions taken shall be made to the Comptroller who shall ratify the action taken by the Head of the Office, if such action is considered appropriate;
- (e) Unless otherwise authorized in writing by the Comptroller, two (2) signatures shall be required on all cheques and on all withdrawal instructions.

Rule 111.4: All bank accounts shall be reconciled with the statements submitted by the banks on a regular basis as the Comptroller shall determine.

Receipt of funds

Rule 111.5:

- (a) An official receipt shall be issued as of the date the funds are received, for the exact amount received.
- (b) Only Officials duly designated by the Comptroller shall be authorized to issue official receipts. In cases where other Officials receive funds intended for UNICEF, they shall immediately transmit such funds in full to the cashier or other Official authorized to issue an official receipt.
- (c) Receipts shall be recorded in the accounts on the date the remittance is received, and no later than receipt of the bank statement.

Rule 111.6: All financial resources received in cash shall be deposited in full in an official bank account no later than the business day following the date of receipt.

Disbursements

Rule 111.7:

- (a) All disbursements shall be made by cheque or bank transfer except to the extent that cash disbursements are authorized by the Comptroller.
- (b) Disbursements shall be recorded in the accounts as of the date made, that is, when a cheque is issued, a bank transfer is initiated, or cash is paid out.
- (c) Cheques or payment instructions to banks shall be signed by two (2) designated paying officers. The Comptroller may, where adequate safeguards are provided, authorize the signing of cheques or payment instructions by one (1) paying officer only.
- (d) The Official approving a disbursement request shall not at the same time be the signatory of the cheque or payment instruction for that disbursement.

Payee's receipts to be obtained

Rule 111.8: Except where disbursement is effected by cheque and the returned cheque can thus serve as a receipt, and unless special arrangements have been authorized by the Comptroller, all disbursements shall be made against a written acknowledgement of receipt by the payee for the actual amount paid.

Petty cash

Rule 111.9: Petty cash advances may be made to Officials designated by the Comptroller. These cash advances shall normally be maintained on an imprest basis. The amount and purpose of each advance shall be defined by the Comptroller, the amount being held to the minimum compatible with working requirements.

Rule 111.10: Officials to whom petty cash advances are issued may make use of the advances only for the purpose for which the advances were authorized and shall be held personally responsible and financially liable for the proper management and safekeeping of the cash advanced. They shall submit monthly accounts unless otherwise required by the Comptroller. They shall be in a position at all times to account for the advances. Cash or negotiable instruments shall be kept in safe custody.

Regulation 11.2: The Executive Director, in accordance with the aims and objectives of UNICEF, shall take the required actions to make full and effective use of all currencies available to UNICEF.

Acquisition and utilization of currencies

Rule 111.11: Officials responsible for the operation of UNICEF bank accounts or for holding UNICEF cash or negotiable instruments are not authorized to exchange one currency for another, except as may be authorized by the Comptroller for the normal transaction of official business.

Rule 111.12: The Comptroller may establish procedures for the acquisition and utilization of currencies held by UNICEF.

Regulation 11.3: Account being taken of the objectives and policies of UNICEF and the special requirements of its operations, including liquidity, funds not required immediately may be placed, mainly in short-term instruments, by the Executive Director.

Investment of funds

Rule 111.13: The Executive Director shall establish a committee to be known as the Finance Advisory Committee, to render advice to the Comptroller on matters of investment of funds not needed for immediate requirements of UNICEF. The Comptroller may, after consultation with the Finance Advisory Committee, make long-term investments of funds in such instruments as shall be approved by the Finance Advisory Committee, having regard to the requirements of UNICEF operations. The Comptroller or such other Officials as may be designated by the Executive Director, may make short-term investments of funds not needed for immediate requirements and shall report to the Finance Advisory Committee periodically on such investments.

Rule 111.14: Investments shall be registered in investment ledger accounts which shall show relevant details for each investment, including, the face value, cost, date of maturity, place of deposit, proceeds of sale and revenue earned.

Regulation 11.4: Interest derived from placement of funds shall be credited to the UNICEF Account and shall be recorded in the Regular Resources sub-account. Unless otherwise authorized by the Executive Director, no interest shall be payable on funds administered by UNICEF.

DRAFT

Article XII. INTERNAL CONTROL

Regulation 12.1: The Executive Director shall:

- (a) Establish detailed Financial Rules and procedures in order to ensure effective financial administration and the exercise of economy. The Rules so established shall be circulated to the members of the Executive Board for information at least sixty (60) days before they become effective;
- (b) Cause all disbursements to be made on the basis of supporting vouchers and other documents which ensure that the services or goods have been received and that disbursements have not previously been made;
- (c) Designate the Officials who may receive financial resources, enter into Commitments and make disbursements on behalf of UNICEF;
- (d) Maintain an internal financial control system 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 financial resources administered by UNICEF;
 - (ii) The conformity of Commitments and disbursements with the Appropriations or other financial provisions approved by the Executive Board, and with the purposes and rules relating to the relevant special account;
 - (iii) The economic use of the financial resources administered by UNICEF.
- (e) Establish arrangements for the electronic or digital authorization, certifying, approving and disbursement process provided that the ledger and the associated disbursement system have adequate safeguards to ensure the integrity of the authorization, certifying, approving and disbursement process.

Authority and accountability for authorizing Commitments and approving disbursements

Rule 112.1: Every Commitment or proposal for making a disbursement shall, before any Commitment is actually entered into or disbursement made, require authorization and approval by the Official(s) designated for the purpose.

Authorization of Commitment

Rule 112.2:

- (a) The Head of the Office will be the authorizing officer for the Commitment of financial resources in the Office. However, one or more Officials may be designated additional authorizing officers by the Head of the Office concerned. Alternates should also be designated to act in the absence of the authorizing officer(s).

- (b) The responsibilities of authorizing officers, including those for special accounts, assigned to them, shall be established by the Comptroller. Authorizing officers cannot further delegate the responsibility assigned to them.
- (c) Prior to initiating any activity requiring a Commitment of UNICEF financial resources, the authorizing officer shall:
 - (i) Verify that the activity is a valid use of UNICEF financial resources;
 - (ii) Verify that the financial resources necessary to satisfy the cost of the activity are available in the relevant budgetary records for which the authorizing officer is responsible;
 - (iii) Reserve the financial resources necessary to meet the Commitment; and
 - (iv) Verify that all relevant Financial Regulations and Rules have been observed.

Certification Prior to Disbursement

Rule 112.3:

- (a) One or more Officials shall be designated by the Head of the Office concerned as certifying officers. Alternates should also be designated to act in the absence of the certifying officer(s).
- (b) When UNICEF receives invoices, and prior to any disbursement being made, the certifying officer must verify that:
 - (i) Goods and services were received and were in accordance with the Commitment document;
 - (ii) Unit cost calculations and total amounts are correct;
 - (iii) Previous disbursement has not been made; and
 - (iv) All relevant Financial Regulations and Rules, including Rule 112.2, have been observed.

Approval of Disbursement

Rule 112.4:

- (a) One or more Officials shall be designated as approving officer(s) by the Head of the Office concerned. Alternates should also be designated to act in the absence of the approving officer(s).
- (b) Only Officials designated as approving officers can approve disbursement requests. In addition, only approving officers in the initiating Office can request that disbursements be made on their behalf at another Office.
- (c) An approving officer must verify that:
 - (i) the process of acquiring goods and services was in accordance with the authorization;
 - (ii) the charge against UNICEF is valid; and
 - (iii) All relevant Financial Regulations and Rules have been observed.

- (d) Disbursement requests shall be approved only on the basis of duly certified invoices and supporting documents.

Disbursements

Rule 112.5:

- (a) One or more Officials shall be designated by the Comptroller as paying officer(s) on the recommendation of the Head of the Office concerned.
- (b) Cheques or payment instructions to banks shall be signed only on the basis of duly authorized, certified and approved supporting documents.
- (c) Paying officers shall confirm the relevant Financial Regulations and Rules related to processing the disbursement have been observed.

Advance or Progress Payments

Rule 112.6: Advance or progress payments may be authorized by the Comptroller upon a determination by the Comptroller that to do so is in the interest of UNICEF or where normal commercial practice so requires. Whenever advance or progress payments are authorized, the reasons thereof shall be recorded.

Rule 112.7: In addition to advances specified in Rule 112.6, the Comptroller may make such other cash advances in conformity with these Rules as may be permitted by the Staff Regulations and Rules of the United Nations, or as may be approved by the Executive Director.

Remittances

Rule 112.8: Offices away from headquarters may obtain funds through remittances from headquarters. Such remittances shall be limited, unless otherwise justified, to such amount as the Comptroller shall determine, taking into account the financial requirements of the Offices concerned. Those Offices authorized by the Comptroller to draw funds directly from the headquarters system of bank accounts may not draw funds in excess of the level established without prior approval of the Comptroller.

Rule 112.9: Organizations or entities designated by the Executive Director, in accordance with Regulation 2.6, for the implementation of UNICEF-approved activities, may obtain funds through remittances from UNICEF headquarters or from other authorized UNICEF Offices. Such remittances shall not exceed the amount needed to cover a reasonable period of foreseen cash requirements related to the implementation of such UNICEF-approved activities.

Employment of staff and consultants

Rule 112.10: Staff and consultants may be engaged only with the written authority of the Executive Director, and within the allotments or other limits approved for the purpose in the Institutional Budget or PFP Budget or the budgets approved with programme recommendations, or as may be provided in connection with the special accounts established under Regulation 5.1.

Rule 112.11:

- (a) The Executive Director shall be responsible for ensuring that the terms of employment of Officials conform to the terms of the Staff Regulations and Rules and applicable resolutions and decisions of the General Assembly and the Executive Board.

- (b) The Executive Director shall be responsible for ensuring that the terms of engagement of consultants conform to all relevant Regulations, Rules, administrative issuances and directives of UNICEF and shall issue policies and instructions on the engagement of consultants by UNICEF.

Purchases

Rule 112.12: Purchases may be authorized where:

- (a) Provision has been made in the budget approved with a programme recommendation or in the Institutional Budget or PFP Budget; or
- (b) The purchase is authorized by the Executive Director pursuant to Regulation 8.11; or
- (c) A special account for the purpose has been established under Regulations 5.1 and 5.2.

Rule 112.13: In cases where purchases on behalf of UNICEF by other organizations or entities are authorized, the funds to be provided by UNICEF for such purchases shall be released only on the basis of a written agreement between UNICEF and the organization or entity concerned. The agreement shall specify the nature and extent of the purchasing activities to be undertaken on behalf of UNICEF and shall provide for administration of the funds and execution of the activities approved by UNICEF in accordance with the regulations and rules of such organization or entity, or where considered inadequate, in accordance with these Regulations and Rules.

Rule 112.14: Unless otherwise provided by the Executive Director, all purchases on behalf of UNICEF, including the requisition, rental or sale of inventory, property, plant and equipment or intangible assets, services or other requirements, may be carried out only by the Officials duly authorized for the purpose. Purchasing activities include, in addition to entering into contract, the distribution of formal invitations to bid, advertisements or requests for proposals and the negotiation of contracts where competitive tenders have been waived.

Rule 112.15:

- (a) The Executive Director shall be responsible for all purchases on behalf of UNICEF in respect of activities and programmes undertaken by UNICEF, or any other activity or service authorized by the Executive Board.
- (b) The Executive Director may authorize purchases, on behalf of UNICEF, by or through a Government, an international or intergovernmental organization, a National Committee for UNICEF or other non-governmental organization with which UNICEF co-operates in the execution of approved activities and programmes.

Regulation 12.2: Commitments that will require the disbursement of financial resources either during the current budget period only, or during both the current and future budget periods, shall be entered into only after appropriate written authorizations by the Executive Director.

Commitments

Rule 112.16: A Commitment is to be based on a written contract, purchase order, agreement or other form of undertaking by UNICEF supported by an appropriate committing document or based on a liability recognized by UNICEF. Such Commitment shall be carried as an outstanding Commitment until paid unless, after review in accordance with Rule 112.19, it is considered no longer valid.

Reservation of financial resources to meet expenses

Rule 112.17:

- (a) Apart from the employment of Officials under Rules 112.10 and 112.11 and consequential Commitments under the Staff Regulations and Rules of the United Nations and unless otherwise authorized by the Comptroller, financial resources to meet expenses which may accrue in the financial period shall be reserved in the budgetary records by means of appropriate documentation in accordance with Rule 112.18.
- (b) When a Commitment is entered into or liability is incurred in currencies other than United States dollars, it shall be recorded in the accounts in the United States dollar equivalent at the prevailing United Nations operational rate of exchange. At the time of disbursement, where currency fluctuation has resulted in a change in the United States dollar equivalent from the original amount reserved, the difference is to be charged or credited to the same source of funding against which the Commitment or liability was recorded.

Appropriate documentation

Rule 112.18:

- (a) The documentation referred to in Rule 112.17(a) shall be in such form as the Comptroller shall prescribe and shall be certified by designated Officials.
- (b) Such documentation may be used only for internal purposes to reserve financial resources to meet proposed expenses and shall not be sufficient to create a legal liability.
- (c) Such documentation shall be duly amended in writing prior to payment if the amount payable exceeds the original Commitment beyond the limits set by the Comptroller.
- (d) Proposed disbursements against liabilities acknowledged by UNICEF which had not been previously reserved shall require authorization by approving officers before payment can be made, but shall not require any reservation document under this Rule 112.18 to be established.

Review of outstanding Commitments

Rule 112.19: Outstanding Commitments retained against Appropriations in the Institutional Budget or PFP Budget and programme allocations shall be reviewed periodically by the authorising officers.

- (a) Commitments which, after review, are no longer considered valid shall be cancelled from the relevant budgetary records and the resulting credit surrendered.
- (b) If, after twelve (12) months of the ensuing financial period an outstanding Commitment continues to be valid, it shall be re-reserved against the Appropriations or allocations of the then current budget period.

Increases in Value of a Commitment

Rule 112.20: All increases in the value of a Commitment or proposals for incurring additional expense beyond the original amount reserved, including increases due to currency fluctuation, shall be subject to the same Rules as apply to the establishment of the original Commitment.

Decreases in Value of a Commitment

Rule 112.21: When the value of a Commitment previously recorded in the budgetary records is for any reason decreased (other than by disbursement) or cancelled, the budgetary records shall be adjusted in conformity with procedures established by the Comptroller.

Commitments in respect of current and future financial periods

Rule 112.22: Commitments may be authorised by the Comptroller, consistently with these Rules, against current and future financial periods, when necessary in the interests of UNICEF, provided that any authorization to enter into Commitments for future financial periods shall normally be restricted to administrative requirements of a continuing nature and to other contracts or Commitments where longer lead-times are required to ensure timely delivery and shall be subject to such limits and other requirements as the Executive Board may prescribe.

Rule 112.23: The Comptroller shall maintain a record in the budgetary records of all Commitments in respect of future financial periods, which shall constitute a first charge against the relevant authorizations for financial resources as these are made by the Executive Board.

Rule 112.24: In instances where Commitments exist at the end of a financial period, which result from Commitments in respect of future financial periods, for budgetary purposes such Commitments shall be charged to a deferred charge account. The deferred charge shall, in turn, be transferred to the appropriate budgetary record when the necessary authorization is obtained.

Regulation 12.3: The Executive Director may make such ex-gratia payments as deemed necessary in the interest of UNICEF, provided that a statement of such payments shall be submitted to the Executive Board with the report on the UNICEF Account.

Rule 112.25: Ex-gratia payments may be made in cases where, although in the opinion of the legal adviser of UNICEF or of the United Nations Office of Legal Affairs there is no legal liability on UNICEF, the moral obligation is such as to make payment desirable in the interest of UNICEF. The approval of the Executive Director is required for all ex-gratia payments.

Regulation 12.4: The Executive Director may, after full investigation, authorize the writing-off of the monetary value of assets. Such amounts shall normally be recorded against the relevant allotment/budget line. A statement of all such amounts written off shall be submitted to the Board of Auditors with the financial statements submitted under Regulation 13.1. The Executive Director may establish a value below which an investigation is not required.

Losses of cash, receivables and other assets

Rule 112.26: The Executive Director's authority under Regulation 12.4 is delegated to the Comptroller. Any loss of UNICEF assets shall be reported to the Comptroller, who may, after full investigation, authorize the writing-off of the monetary value of such assets.

Rule 112.27: An investigation shall determine the cause of the loss of assets, including the responsibility of the Officials or others, if any for the loss. Such Officials or others may be required to reimburse the loss either partially or in full. The final determination as to all recoveries to be made against Officials or others as the result of losses will be made by the Executive Director.

Regulation 12.5: Competitive tenders for the purchase of inventory, property, plant and equipment, and intangible assets and other requirements shall be invited by distribution of formal invitations to bid, advertisements or requests for proposals, except where the Executive Director determines that a departure from the Regulation is necessary in the interests of UNICEF.

Requirement for invitations to bid or requests for proposals

Rule 112.28: Except as provided in Rule 112.30, all purchases under these Rules shall be carried out by means of competitive tenders, through either invitations to bid or requests for proposals, depending on the nature of the goods or services required. The form of such invitations to bid or requests for proposals shall be in accordance with Rule 112.29.

Issuance of invitations to bid and requests for proposals and receipt of bids and proposals

Rule 112.29:

- (a) Invitations to bid shall be advertised or otherwise issued in accordance with procedures established by the Executive Director. All bids shall be opened at the time and place specified in the invitation to bid and an immediate record made thereof. Bidders or their authorized representatives may attend the opening of bids.
- (b) Requests for proposals shall be advertised or otherwise issued in accordance with procedures established by the Executive Director, who shall also establish procedures for opening and recording all proposals received.

Waiver of competitive tenders

Rule 112.30: The procedures established under Rule 112.29 for the issuance of invitations to bid and requests for proposals may, subject to Rule 112.31, be waived by the Executive Director in cases where:

- (a) The prices or rates are fixed pursuant to national legislation or by regulatory bodies; or
- (b) Standardization of inventory, property, plant and equipment or intangible assets is, on the advice of the Contracts Review Committee, considered appropriate; or
- (c) Emergency situations or exigencies of the service do not permit the delay attendant upon the issuance of invitations to bid or requests for proposals or the reissue thereof in cases where such solicitation has failed to achieve satisfactory results; or
- (d) The proposed contract relates to purchasing from a sole source of supply or to the purchasing of perishable inventory; or
- (e) Invitations for bids or requests for proposals will not give satisfactory results or are not, in the particular case, deemed in the interest of UNICEF.

In all the above cases, the relevant reasons shall be recorded in writing.

Contracts review committees**Rule 112.31:**

- (a) In conformity with the policies and guidelines established by the Executive Board, the Executive Director shall determine the types and monetary value of the contracts for which the advice of a contracts review committee is required.
- (b) A contracts review committee shall be established to render written advice to the Executive Director, as necessary, and local contracts review committees shall be established, as required, to render advice to such other Officials as shall be authorized in that regard.
- (c) The composition and the terms of reference of the contracts review committees shall be established by the Executive Director.
- (d) It is the responsibility of a contract review committee to ensure that:
 - (i) Appropriate authority has been obtained for making the Commitment;
 - (ii) The interests of UNICEF are protected;
 - (iii) The purchasing activities are carried out in conformity with the Regulations, Rules, administrative issuances and directives and are in accordance with the best business practice.
- (e) Where the advice of a contracts review committee is required under its terms of reference, no Commitment is to be entered into before such advice is sought and acted upon by the Executive Director or the Officials authorized in that regard. In cases where the Executive Director or the Official authorized decides not to accept the advice of the Committee, the reasons for such decision shall be recorded.

Awarding of contracts**Rule 112.32:**

- (a) When invitations to bid or requests for proposals have been issued in accordance with Rule 112.29, the award of a contract shall be made, within the period specified for the validity of bids, to the bidder whose responsive bid has been determined to be the lowest evaluated bid, due consideration being given to the utilization of currencies available to UNICEF and which require special management, provided that when the interests of UNICEF require, any or all bids may be rejected. In the latter instance, the reasons for rejection shall be recorded and a determination made whether to invite new competitive tenders.
- (b) When proposals have been requested in accordance with Rule 112.29 (b), contracts shall be awarded to the qualified contractor who is considered to have submitted the most responsive evaluated proposal.
- (c) The awarding of contracts under this rule shall be in accordance with procedures established by the Executive Director.

Written contracts or purchase orders

Rule 112.33:

- (a) Written contracts or written purchase orders shall be used, as appropriate, for purchases of goods and services. The Executive Director shall, by written instruction, establish the conditions under which the requirements of this Rule may be waived.
- (b) Written contracts or purchase orders shall include detailed specifications covering, among others:
 - (i) Nature of materials or services being provided;
 - (ii) Quantity being provided;
 - (iii) Unit prices;
 - (iv) Period covered;
 - (v) Conditions to be fulfilled;
 - (vi) Terms of delivery and payment.

Management of inventory, property, plant and equipment and intangible assets

Rule 112.34: The Comptroller shall establish such controls necessary for the recording, utilization, safekeeping, maintenance, disposal, sale or transfer of inventory, property, plant and equipment and intangible assets for which records shall be maintained and the nature and extent of the records to be kept, consistently with the purpose of these Rules. Such records shall be maintained both for headquarters and for Offices away from headquarters and shall show separately the inventory, property, plant and equipment and intangible assets belonging to UNICEF and those entrusted to UNICEF.

Rule 112.35: Physical verifications for existence of inventory and property, plant and equipment owned by or entrusted to UNICEF shall be made annually or at such intervals as deemed necessary, to ensure adequate control over such assets. The selection of items for which physical verifications shall be carried out shall be the responsibility of the Comptroller who shall also establish the criteria for the conduct of physical verifications and for the asset valuation. The Comptroller may delegate the responsibility for the maintenance of asset records as well as the conduct of physical verifications to the Heads of the Offices concerned.

Rule 112.36: All inventory and property, plant and equipment received by UNICEF shall immediately be inspected to ensure that the items comply with the specifications of the purchase contract and that their condition is satisfactory. As each item is received, an appropriate receiving report shall be issued and the item shall be entered, if required under Rule 112.34, into the property records.

Rule 112.37: Inventory and property, plant and equipment shall be issued only to authorized Officials.

Rule 112.38: The issue to individuals of inventory, equipment or other property listed in the property records for individual official use shall be recorded in the property records as "issued on loan". The records shall be supported by a receipt from the individual concerned, and such receipts shall be renewed from year to year. On transfer of the individual to another duty station or service or on separation, the item is to be returned to stock and the loan record cancelled.

Shortages, overages, damages and surplus assets

Rule 112.39: There shall be established a property survey board at each UNICEF Office to investigate and report in writing to the Comptroller, or other authorized Officials, on:

- (a) The cause of any shortages, overages of, damage and impairment to inventories, property, plant and equipment or intangible assets, indicating the degree of responsibility attaching to any UNICEF Officials and the action to be taken thereon;
- (b) The disposal of inventory, property, plant and equipment or intangible assets which have become surplus to operating UNICEF requirements or unserviceable through obsolescence or normal wear and tear;
- (c) Such other matters as may be referred to the Property Survey Board.
- (d) In cases where the recommendation of the Property Survey Board is not accepted by the Comptroller, the reasons for such decision shall be recorded in writing.

Rule 112.40: The composition of the Property Survey Board and its terms of reference shall be determined by the Executive Director.

Rule 112.41: Sales of inventory, property, plant and equipment or intangible assets declared surplus or unserviceable following a recommendation by a property survey board shall be made after competitive bidding, provided that such competitive bidding is not necessary when:

- (a) The estimated individual sales value is, in the opinion of the Property Survey Board, less than \$500;
- (b) The exchange of surplus inventory, property, plant and equipment or intangible assets, in partial or full payment for other inventory, property, plant and equipment or intangible assets will, in the opinion of the Property Survey Board, be in the interest of UNICEF;
- (c) The destruction of the surplus or unserviceable material will be more economical or is required by law or by the nature of the asset;
- (d) The interests of UNICEF will be served by disposal by gift or sale at nominal prices to a Government or government agency, National Committee for UNICEF or some other non-governmental or intergovernmental organization.

Rule 112.42: Sales of UNICEF inventory, property, plant and equipment or intangible assets, under Rule 112.41, shall be on a cash basis, payments required on or before delivery. Exceptions to this Rule may be authorized in writing by the Comptroller in the interest of UNICEF. The proceeds from such sale shall be credited to the source of funds originally charged for budgetary purposes with the purchase thereof, noting that:

- (a) The Property Survey Board may recommend the application of these proceeds directly against the purchase price of replacement inventory, property, plant and equipment or intangible assets;
- (b) If the accounts of the programme have been closed, the proceeds shall be credited to Regular Resources; or
- (c) Where inventory, property, plant and equipment or intangible assets are transferred from one programme for use in another, the value of such asset shall be credited to the budget of the releasing programme and charged to the budget of the programme receiving the asset.

Sale of UNICEF cards and products

Rule 112.43: Pricing of UNICEF cards and products shall be established by the Executive Director in consultation with relevant sellers, taking into consideration, on a country-by-country basis, local market conditions, profitability levels of individual markets and UNICEF's net profit objectives.

Rule 112.44: Sales of UNICEF cards and products shall be governed by written contracts between UNICEF and National Committees for UNICEF or other designated sellers of UNICEF cards and products. Sellers of UNICEF cards and products shall be designated by the Executive Director after careful review of their financial standing and ability to administer the sale of UNICEF cards and products.

Rule 112.45: Notwithstanding the provision of Rule 112.42, the Executive Director may authorize that UNICEF cards and products be sold on a consignment basis. Ownership of the UNICEF cards and products provided by UNICEF to consignees shall remain with UNICEF until sold. The consignees, who shall be accountable to UNICEF, may, subject to the provision of the applicable UNICEF Financial Regulations and Rules, dispose of the products in accordance with specific provisions of their written contracts under Rule 112.44.

Rule 112.46: UNICEF shall maintain such insurance as is necessary against risks or claim associated with the procurement, warehousing, shipment, supply, custody or use of any UNICEF cards and products or associated materials. Except where such products and material are not in the custody of UNICEF, the cost of such insurance shall be budgeted and borne by UNICEF. The cards, products and materials in the custody of consignees or custodians or agents shall be insured in accordance with the term of the contracts maintained by UNICEF with such consignees, custodians and agents.

Rule 112.47: The Executive Director shall establish adequate procedures with respect to UNICEF cards and products to permit a physical verification of all UNICEF cards and products at the close of each financial year.

Regulation 12.6: The Office of Internal Audit shall be responsible for conducting internal audits within UNICEF. It shall provide independent and objective assurance and advisory services in conformity with the International Standards for the Professional Practice of Internal Auditing. It shall evaluate and contribute to the improvement of governance, risk management, and control processes and report thereon.

Regulation 12.7: The Office of Internal Audit shall be responsible for conducting or supervising investigations related to known and suspected cases of fraud, corruption, and other forms of misconduct within and associated with UNICEF.

Regulation 12.8: The Office of Internal Audit shall exercise operational independence in the performance of its duties. Its purpose, authority and responsibility shall be defined in its charter.

Internal Audit

Rule 112.48: The Office of Internal Audit shall evaluate the adequacy and effectiveness of governance, risk management and control processes, regarding the:

- (a) reliability and integrity of financial and operational information;
- (b) efficiency and effectiveness of operations and programs;
- (c) safeguarding of assets; and

- (d) compliance with legislative mandates, Regulations, Rules, policies and procedures.

Rule 112.49: The Office of Internal Audit shall have full unrestricted access to UNICEF's records, personnel and premises, as necessary, in its opinion, for the performance of its duties.

Rule 112.50: The Office of Internal Audit shall submit its reports to the Executive Director and other senior managers as appropriate. At least annually, the Director of the Office of Internal Audit shall submit a report to the Executive Board on the Office's internal audit and investigation activities and on significant findings, providing insight into the efficient and effective utilization of resources.

DRAFT

Article XIII. REPORT ON THE UNICEF ACCOUNT

Regulation 13.1: The Executive Director shall prepare an annual set of financial statements in respect of the UNICEF Account. The financial statements shall be prepared for the financial period in accordance with these Regulations and Rules, relevant decisions of the Executive Board and of the General Assembly, and IPSAS.

Principal accounts

Rule 113.1: The principal accounting records of UNICEF shall account for the financial resources administered by UNICEF, divided into categories as established by these Regulations and Rules, and by the Executive Board.

Regulation 13.2: The report on the UNICEF Account:

- (a) Shall be presented in United States dollars, it being understood that accounting records may be kept in such currency or currencies as the Executive Director may deem necessary; and
- (b) Shall reflect financial transactions on an accrual basis in accordance with IPSAS.

Subsidiary accounts

Rule 113.2: The Comptroller may require the maintenance of subsidiary accounting records, including property, plant and equipment records, as deemed necessary.

Accounting Policy

Rule 113.3: The Comptroller is responsible for the policies with respect to the financial operations of UNICEF. The Comptroller shall prescribe and maintain the accounting records and shall institute all financial systems and procedures, including those in respect of offices away from headquarters, designated to permit accurate and timely financial reporting on all activities by the Executive Director to the Executive Board.

Currency of accounts

Rule 113.4: The accounting records of UNICEF shall be maintained in United States dollars using the United Nations operational rates of exchange, which shall be used in the recording of all UNICEF transactions. UNICEF Offices may also maintain accounting records in the currency of the country in which they are situated.

Regulation 13.3: The report on the UNICEF Account shall be submitted by the Executive Director, not later than 31 March following the end of each financial period, to the Board of Auditors for examination and opinion.

Certification of Report of the UNICEF Account

Rule 113.5: The Comptroller shall certify that to the best of his or her knowledge and information all material transactions have been properly recorded in the accounting records and are properly reflected in the financial statements and supporting schedules.

Regulation 13.4: The Executive Director shall transmit the report on the UNICEF Account to the members of the Executive Board in accordance with the Executive Board's rules of procedure.

Other statements

Rule 113.6: In addition to the report on the UNICEF Account, the Comptroller shall provide to the Board of Auditors information on: ex-gratia payments; on inventory, property, plant and equipment and intangible assets for which property records are kept; on the value of losses of cash, stores and other assets written off; and such other information as the Board of Auditors may require.

Rule 113.7: The Executive Director shall also submit to the Executive Board an annual, unaudited, financial report showing the results of operations of PFP, in respect of the PFP budget, as per Rule 107.3, and its financial position at the close of the financial period.

Retention and destruction of records

Rule 113.8: The UNICEF accounts and other financial records and all supporting documents shall be retained for such period(s) as may be agreed with the Board of Auditors, after which, on the authority of the Comptroller, such records and documents may be destroyed.

DRAFT

Article XIV. EXTERNAL AUDIT

Regulation 14.1: The accounts of UNICEF shall be subject to external audit performed by the Board of Auditors in accordance with the provisions of Article VII of the United Nations Financial Regulations, annexed to these Regulations for information which shall, mutatis mutandis, apply to UNICEF.

Regulation 14.2: The report of the Board of Auditors together with the comments thereon of the Advisory Committee shall be transmitted to the members of the Executive Board. In submitting the above, the Executive Director shall comment on the auditors' substantive observations and on their follow-up.

DRAFT