



# **Executive Board of the United Nations Entity for Gender Equality and the Empowerment of Women**

Distr.: General  
1 May 2012

Original: English

---

## **Annual session of 2012**

29 May-1 June 2012

Item 3 of the provisional agenda\*

**Financial, budgetary and administrative matters**

## **Proposed revision to financial regulations and rules for the United Nations Entity for Gender Equality and the Empowerment of Women**

### **Report of the Advisory Committee on Administrative and Budgetary Questions**

#### **Introduction**

1. The Advisory Committee on Administrative and Budgetary Questions has considered the document submitted by the Under-Secretary-General/Executive Director of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) containing the proposed revision to financial regulations and rules for UN-Women (UNW/2012/6). During its consideration of these proposals, the Advisory Committee met with the Under-Secretary-General/Executive Director, who provided additional information and clarification.

2. The Advisory Committee recalls that the General Assembly, in its resolution 64/289, decided to establish UN-Women and also decided, in paragraph 79 of that resolution, that the Entity should have financial regulations and rules similar to those of other operational United Nations funds and programmes and be consistent with the Financial Regulations and Rules of the United Nations.

3. The Advisory Committee was informed that UN-Women would be presenting the proposed revision to the financial regulations, for approval by its Executive Board, and amendments to the financial rules, for the information of the Board, at its annual session of 2012. The proposed revisions, indicating reasons for the changes, are summarized in annex II to document UNW/2012/6. The primary reasons for the proposed amendments are explained in paragraphs 4 to 7 below.

---

\* UNW/2012/L.3.



## Overview of the proposed revisions

### *International Public Sector Accounting Standards*

4. The General Assembly, in its resolution 60/283 of 7 July 2006, decided to approve the adoption by the United Nations of the International Public Sector Accounting Standards (IPSAS) to replace the United Nations system accounting standards. Subsequent to the adoption of IPSAS by the Executive Boards of the United Nations Development Programme (UNDP), the United Nations Population Fund (UNFPA) and the United Nations Children's Fund (UNICEF), the Executive Board of UN-Women, by its decision 2011/1, approved an amount of \$0.3 million for costs related to the adoption of IPSAS and the enhancement of the Atlas enterprise resource planning system. During its consideration of the proposed amendments, the Advisory Committee was informed that the Entity had successfully rolled out IPSAS on 1 January 2012.

5. The Advisory Committee was also informed that the existing financial regulations and rules for UN-Women were based on the United Nations system accounting standards and that the revisions had been proposed to align them with IPSAS. Under IPSAS, UN-Women would change from a modified accrual method to a full accrual method of accounting, with the expected benefit of more comprehensive and consistent information on expenses and income; more transparency and accountability with respect to assets and liabilities; and more consistency and comparability of financial statements over time and across different organizations. In that regard, section II of UNW/2012/6 indicates that the terms "income", "expenditure" and "non-expendable equipment" used under the United Nations system accounting standards would be replaced by the IPSAS terms "revenue", "expenses" and "inventory, property, plant and equipment". The definitions for those terms are also provided in the document.

### *New cost classification and result-based-budgeting approach*

6. The Advisory Committee recalls that UNDP, UNFPA and UNICEF, in order to identify best practices, had undertaken a review of existing cost definitions and classification of activities and associated costs, as well as results-based-budgeting models and methodologies of selected United Nations organizations and bilateral donors. The exercise had culminated in joint proposals that were presented to their respective Executive Boards in a report entitled "Road map to an integrated budget: cost classification and results-based budgeting", which was approved by the Executive Boards of the respective organizations in decisions 2010/32 (UNDP and UNFPA) and 2010/20 (UNICEF). The Committee further recalls that in paragraph 12 of decision 2011/1, the Executive Board of UN-Women requested the Under-Secretary-General/Executive Director to collaborate closely with UNDP, UNFPA and UNICEF towards the harmonization of budget and results methodologies, including their work towards an integrated budget in 2014, cost classifications and results-based budgeting. It was indicated, during the Committee's consideration of the Under-Secretary-General/Executive Director's proposals, that the new cost classifications of UN-Women had been harmonized with UNDP, UNFPA and UNICEF, therefore requiring an update of the terminology in the corresponding articles of the financial regulations and rules.

*Other revisions*

7. The Advisory Committee was further informed that additional revisions had been made to the financial regulations and rules for UN-Women to reflect the current organizational structures and business practices. In addition, changes had been made, where necessary, to enhance consistency and clarity of terminology. It was also indicated that the text had been expanded to incorporate comments received from the Office of the Controller (see para. 10 below).

**Comments and observations**

8. In addition to the consultations held with UNDP, UNFPA and UNICEF, the Advisory Committee was informed that the amendments had been discussed and the principles agreed to with the Office of the Controller and the Office of Legal Affairs. The comments of the Office of Legal Affairs are discussed further in paragraph 9. The Committee was informed that the Entity had requested a meeting with the United Nations Board of Auditors to discuss the revisions. At the time of the Committee's consideration of the proposals of the Under-Secretary-General/Executive Director, the meeting had not yet been held. **The Advisory Committee commends UN-Women for pursuing wide consultations with the relevant entities throughout this process and requests that the comments of the United Nations Board of Auditors be provided to the Executive Board at the time of its consideration of the proposed amendments.**

9. Upon request, the Advisory Committee was provided with information reflecting both general and specific comments made by the Office of Legal Affairs on the proposed revisions to the financial regulations and rules for UN-Women. The Committee notes that specific changes suggested by the Office of Legal Affairs to regulations 1.2, 4.5, 18.1, 20.2, 24.1 and 26.2; and to rules 1602 and 1703, subparagraph (c), have been reflected in the revisions. The Committee notes, however, that the editorial changes suggested to regulations 4.5 and 11.1 have not been reflected in the revisions. The Committee further notes that while the new term "integrated budget" has been defined in regulation 27.2, the key terms "institutional budget", "budget period" and "financial period" have not been defined. **The Advisory Committee emphasizes the importance of full consultations with the Office of Legal Affairs to ensure overall consistency in the interpretation of key terms and definitions included in the revision.**

10. Upon request, the Advisory Committee was provided with information on the specific recommendations of the Office of the Controller. The Committee notes that the recommendations of the Assistant Secretary-General, Controller relating to regulations 8.1, 12.1, 13.1, 13.4 and rule 1501, have been reflected in the proposed revisions. With regard to regulations 15.3 and 15.4, the Assistant Secretary-General, Controller indicates that the two regulations have the same intent, already outlined in rule 1501, which is the possibility of submitting amendments to the regular budget through the Secretary-General. The Assistant Secretary-General, Controller therefore suggests that the two regulations be deleted in their entirety because they are redundant. The Advisory Committee notes that while regulation 15.4 has been deleted and is therefore not included in the proposed revision (see UNW/2012/6), regulation 15.3 has been retained. **The Advisory Committee welcomes the added**

**clarity provided by incorporating the recommendations of the Assistant Secretary-General, Controller.**

11. The Advisory Committee also wishes to make the following comments on specific regulations and rules:

(a) **Regulation 3.1, subparagraph (a).** Upon enquiry as to whether UN-Women had considered adding the term “economically” to the regulation in order to complete the three qualities of economy, efficiency and effectiveness, which are required for the management of public sector funds according to the International Federation of Accountants, the Advisory Committee was informed that the Entity had no objection in principle. It was indicated, however, that for reasons of consistency, such a change would have to be applied to regulations 24.1 and 25.1 as well. **The Advisory Committee recommends that such a modification should be introduced into regulation 3.1, subparagraph (a), and notes that similar wording already exists in regulation 20.3.**

(b) **Regulation 8.1.** The Advisory Committee was informed that the revision was made based on the recommendation of the Office of the Controller, for clarity and accuracy, and to include the corrected reference to the relevant Secretary-General’s Bulletin.

(c) **Regulation 20.4.** The Advisory Committee notes that the revision transfers the authority to undertake a specified treasury function from the Secretary-General to the Under-Secretary-General/Executive Director. Upon enquiry, the Advisory Committee was informed that the change was proposed to reflect the current business practice relating to liquidity/treasury management and that the investments of UN-Women were managed not by the Secretary-General, but by UNDP, through a service level agreement.

(d) **Rule 201.** Upon enquiry, the Advisory Committee was informed that the more concisely worded version had been proposed, at the suggestion of the Office of the Controller, to reflect the fact that, under IPSAS, contributions may be recognized as revenue before the actual cash is received and that in kind contributions may be similarly recognized. In that regard, the Committee was also informed that, in accordance with IPSAS, UN-Women recognizes a pledge as revenue upon receipt from the donor of a final written confirmation that the pledge would be paid.

(e) **Rule 1701.** The Advisory Committee notes the use of the term “budgets” to describe the funding for expenses that may be incurred with respect to country and intercountry projects financed from the account held by UN-Women. The Committee is of the opinion that the use of the term “budget” in the general sense, without a qualifying term may create some misunderstanding with other categories of budgets. Upon enquiry, the Advisory Committee was informed that, during its review of the proposed revisions, the Office of the Controller had not commented on the rule. It was also indicated that the term “budgets” in rule 1701 referred to programme, and related project, budgets funded from voluntary contributions and not from the regular budget. **The Advisory Committee recommends that the term “budgets” in rule 1701 be preceded by the qualifying term “project” to read “project budgets”, in order to make it more specific so as to distinguish it from other categories of budgets. The Committee further recommends that, for consistency, appropriate revisions be made to the term “budget(s)” throughout article 17 of the financial regulations and rules for UN-Women.**

(f) **Rule 1703, subparagraph (c) (ii).** The Advisory Committee was informed, upon enquiry, that the proposed revision did not change the meaning of the existing rule. It was indicated that the separation of the treatment of surpluses from the treatment of liabilities had been suggested by the Office of Legal Affairs, for clarity.

12. The Advisory Committee notes that the International Public Sector Accounting Standards are dynamic and subject to revision by the International Public Sector Accounting Standards Board in order to meet emerging needs. Additions and amendments to the standards should therefore be expected in the IPSAS environment. **The Advisory Committee trusts that UN-Women will establish the necessary mechanisms to ensure that its financial regulations and rules remain in compliance with IPSAS and harmonized with those of other United Nations funds and programmes. Considering that the standards are principle-based and do not provide detailed guidelines for their interpretation and application, the Committee expects that harmonization efforts will be extended to the formulation of detailed operating guidelines in areas such as depreciation methods and internal audit rules. The Committee further expects that the lessons learned by UN-Women will be documented and shared with other organizations.**

### **Recommendation**

13. **Subject to its comments expressed in the preceding paragraphs, the Advisory Committee has no objection to the Executive Board's approval of the proposed revision to the financial regulations and rules for UN-Women.**