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United Nations Office for
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United Nations Office for Project Services

Revision of UNOPS Financial Regulations and Rules

Summary

The General Assembly, through its resolution 60/283 of July 2006, approved the adoption of the International Public Sector Accounting Standards (IPSAS) to replace the United Nations System Accounting Standards (UNSAS). The United Nations Office for Project Services (UNOPS) will adopt IPSAS in 2012. Under IPSAS, UNOPS will change from a modified method of accounting to a full accrual method of accounting, resulting in improved transparency and accountability.

In January 2009, in decision 2009/4, the Executive Board approved the comprehensive revision of the UNOPS financial regulations and rules to harness the self-financing business modality of UNOPS and to prepare for the implementation of IPSAS. During 2009, UNOPS synchronized its IPSAS implementation date with the United Nations Development Programme (UNDP) and United Nations Population Fund (UNFPA) to January 2012.

Since January 2009, UNOPS has continued to mature as an organization, and minor changes to its financial regulations and rules have become necessary to accommodate its current business requirements. Furthermore, limited IPSAS-related revisions to the financial regulations and rules are required. Consequently, UNOPS proposes that the financial regulations and rules in the present document take effect on 1 January 2012.

UNOPS has submitted this document and the supporting annexes (incorporating the detailed changes to the financial regulations and rules) to the Advisory Committee on Administrative and Budgetary Questions (ACABQ) for review. The report of the ACABQ is contained in document DP/OPS/2012/2.



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Note: Annexes are available on the Executive Board web page.

I. Introduction

1. This document sets out the rationale for revising the UNOPS financial regulations and rules.
2. The Executive Director seeks the approval of the Executive Board of the proposed revisions to the financial regulations in accordance with current financial regulation 2.02.
3. The Executive Director further requests the Executive Board to take note of the amended financial rules which are presented in accordance with current financial regulation 3.02.
4. UNOPS has submitted this document and its annexes to the Advisory Committee on Administrative and Budgetary Questions (ACABQ) for review. Once the ACABQ report is finalized, if changes are required, UNOPS will communicate these proposed changes to the Executive Board through a corrigendum. In addition, the United Nations Board of Auditors, the UNOPS Strategy and Audit Advisory Committee, the UNOPS legal counsel and the UNOPS Internal Audit and Investigations Group have also reviewed the revised financial regulations and rules, and, where applicable, their comments have been incorporated.

II. Purpose of the revision

5. The financial regulations and rules govern the broad financial management of UNOPS and apply to all resources utilized and administered by UNOPS. In order to reflect the adoption of IPSAS, in accordance with General Assembly resolution 60/283, UNOPS included the majority of IPSAS-related changes in its January 2009 revision (decision 2009/4) of the financial regulations and rules. During 2009, the decision to postpone the implementation of IPSAS to January 2012 was jointly taken in conjunction with UNDP and UNFPA. Consequently, in decision 2010/7 the Executive Board agreed to suspend UNOPS financial regulations 21.01, 21.06 and 21.07 as well as financial rules 109.01, 109.02, 109.03, 109.05, 121.01 (c), 121.01 (d) and 121.01 (f) until 31 December 2011 and to automatically reinstate these on 1 January 2012. UNOPS therefore proposes minor changes to its financial regulations and rules to reflect their alignment with the latest accounting standards and terminology with effect from 1 January 2012.
6. Since January 2009, UNOPS has been maturing as an organization and minor changes to its financial regulations and rules have become necessary to accommodate its evolving business requirements. The latest financial regulations and rules will be brought into effect throughout UNOPS by the issuance of organizational directives, administrative instructions, policies and procedures which provide guidance and demand compliance.
7. To achieve a greater degree of harmonization with United Nations funds and programmes, UNOPS has adopted common text on internal audit and investigations into its financial regulations and rules. Furthermore, in adhering to the integrated budget approach approved by the Executive Board in its decision 2010/32, UNOPS has updated its financial regulations and rules to reflect the renaming of the “biennial administrative budget” to “management budget”. In the future, UNOPS anticipates that it will continue to revise its financial regulations and rules with the

objective of gradual convergence with the harmonized version of the financial regulations and rules once these become available.

IPSAS — General

8. IPSAS are standards based on the accrual basis accounting. This method measures the performance and position of an entity by recognizing transactions in the period when they occur regardless of when cash transfers. The proposed regulation 23.01 mandates that UNOPS accounting be guided by IPSAS. IPSAS standards are independent, principle-based standards which are updated by the IPSAS Board regularly. UNOPS accounting policies and procedures will intermittently be revised to ensure that they keep abreast of any significant changes and applications of the IPSAS principles and standards.

9. References to specific “periods” in the financial regulations and rules have been clarified, by indicating the “budget period”, “financial period” and “project period”, accordingly, each with its own distinct length of time. The words “biennial” and “biennium”, which referred to the period of the management budget and the period of the audited financial statements, have been removed. Removing these words provides greater flexibility in determining the budget period of the management budget. No change to the existing biennial period will be made without due approval in advance from the Executive Board. With regard to the period of the audited financial statements, IPSAS defines a financial period as one 12-month period. Consequently, the term “financial period” in the financial regulations and rules will now refer to this 12-month period. The term “project period” refers to the tenure of implementation projects undertaken by UNOPS. Usage of the term “reporting period” was similarly reviewed and replaced with “budget period”, “financial period” or “project period”, as appropriate.

IPSAS — Expenses

10. 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. “Expenditure” previously equated to “the sum of disbursement and unliquidated obligations”; however, in accrual accounting “expense” is recognized when goods or services are received, regardless of the timing of a cash transfer. Nonetheless, for budget control purposes, commitments will continue to be credited as utilization of UNOPS financial resources even if goods or services have not been received.

IPSAS — Property, plant and equipment (PPE)

11. Under IPSAS, UNOPS must begin capitalizing its inventories, its property, plant and equipment, and its intangible assets. UNSAS allowed for the concepts of “non-expendable property” and of other assets, including “inventories”, without defining the terms. As a consequence, the IPSAS definitions for inventories, property, plant and equipment, and intangible assets have been added to the financial regulations and rules, and appropriate UNSAS terms have been replaced by the corresponding IPSAS terms.

Editorial

12. Minor editorial changes were made to the financial regulations and rules to enhance consistency and clarity of terminology. Numbering changes have also been made to reflect the amendments.

III. Overview of proposed revisions

13. The proposed amendments to the financial regulations and rules are presented in annexes 1 and 2 to this document. Annex 1 shows the revised financial regulations and rules. Annex 2 includes a table which: contains the original financial regulations and rules; shows the new financial regulations and rules with the insertions underlined and highlighted and the deletions struck through; and explains the reasons for the changes.

IV. Implementation of the revised financial regulations and rules

14. Should the Executive Board approve the proposed amended financial regulations and further take note of the amended financial rules, the Executive Director will subsequently issue the proposed revised financial regulations and rules in accordance with regulation 2.02. The Executive Director proposes that the financial regulations and rules in the present document take effect on 1 January 2012.
