Annex 2
Synopsis of proposed changes to UNOPS Financial Regulations and Rules

1. The purpose of the present synopsis is to provide an overview of the key substantive and structural differences between the proposed UNOPS Financial Regulations (November, 2008) and the ‘UNOPS Financial Regulations/UNDP Financial Rules’ that have applied to UNOPS, mutatis mutandis, since 1995.


16. The proposed UNOPS Financial Regulations and Rules indicate contrasts with the current ones. Paragraph 22, below, highlights the key changes.

17. New Financial Regulations and Rules are warranted due to the evolution of the UNOPS business model and organizational and governance structures over the past fourteen years; as a result, the original Financial Regulations and Rules are obsolete.

18. The proposed Financial Regulations and Rules are designed to meet the demands of updated business processes and changes in organizational structure; incorporate past decisions of the Executive Board; and address new policies for which the Executive Director is seeking the endorsement of the Board.

19. The proposed Financial Regulations and Rules attempt to stay abreast of developments internationally and within the United Nations regarding sound financial management and accounting practices. They therefore factor in International Public Sector Accounting Standards (IPSAS) terminology and requirements.

20. The two tables in annex 1, below, compare the proposed Financial Regulations and Rules to the current ones, and to the UNDP Financial Regulations and Rules, 2005.

21. The chief differences between the current Financial Regulations and Rules and the proposed ones (table 1) comprise suggested enhancements addressing critical subjects and processes, such as risk management and revenue; and expanded sections on project budget, management of funds, procurement and administration of resources.

22. Table 2 compares the structure of the proposed UNOPS Financial Regulations and Rules with the UNDP Financial Regulations and Rules, 2005, to demonstrate that harmonization has been achieved to the extent possible. There are, however, some important points of divergence:

(a) In the proposed Financial Regulations and Rules, UNOPS has moved the article on definitions (Article H, UNDP Financial Regulations and Rules, 2005) to the front, to facilitate reader comprehension;

(b) The substance of the proposed Financial Regulations and Rules depart from those of UNDP where needed to reflect the differences in the activities

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1 See details in paragraph 22.
and structures of the two organizations, and the self-financing nature of UNOPS;
(c) UNOPS has added an article on risk management (article 4).

23. The key changes in the proposed UNOPS Financial Regulations and Rules are:

(a) Definitions. More definitions are included in article 1. The revised UNOPS draft includes some 210 key definitions, as opposed to 19 in the 1995 UNOPS Financial Regulations and Rules and 50 in the UNDP Financial Regulations and Rules, 2005. To the extent possible, definitions are harmonized with those used by UNDP and by the draft United Nations Proposed Financial Regulations and Rules of July 2008. UNOPS has also integrated relevant terminology from the IPSAS framework. The larger number of definitions is intended to minimize the possibility of misinterpretation.


(c) Accountability and responsibility

(i) The proposed FRRs incorporate updated terminology and definitions that refer to current UNOPS business units and positions.
(ii) Article 5: ‘Internal control’ seeks to establish an appropriate foundation for reinforcing internal control within UNOPS. Article 5 replaces the term ‘certifying officer’ in the current Financial Regulations and Rules with ‘committing officer’ (Rule 105.02 of the proposed UNOPS Financial Regulations and Rules). Rule 105.03 of the proposed Financial Regulations and Rules introduces the term ‘verifying officer’ – who will be accountable for ‘the verification for payment procedures in accordance with Rule 119.03’.
(iii) The current UNOPS Financial Regulations and Rules do not address the UNOPS Internal Audit Office, which did not exist until July 2007. Regulation 5.03 of the proposed Financial Regulations and Rules therefore defines the role of the Office and its responsibility for strengthening oversight and internal control at UNOPS.
(iv) To reflect UNOPS commitment to manage risks and internal policy changes responsibly, the proposed Financial Regulations and Rules include article 4, on risk management. Risk management is not an integral part of the current Financial Regulations and Rules. Article 4 requires those charged with governance within the organization be committed to and accountable for identifying risks, estimating their significance, assessing the likelihood of their occurrence, and deciding on action to address them.

(d) UNOPS activities, revenue and project funds.

(i) Accountability for UNOPS activities has been updated in the proposed Financial Regulations and Rules to reflect changes in business processes and organizational structure;
(ii) The proposed Financial Regulations and Rules would enable UNOPS to engage project implementation partners pursuant to article 8. This is not covered by the current Financial Regulations and Rules;
(iii) Article 9 of the proposed Financial Regulations and Rules defines revenues and costs, introducing ‘revenue’ as used by IPSAS since it is an important definition in accrual-based accounting;
(iv) Regulation 22.02 of the proposed Financial Regulations and Rules incorporates the financial accounting assumption that UNOPS is a ‘going concern’;
(v) Articles 10-12 on the management of funds in the proposed Financial Regulations and Rules are broader in scope and more specific than is the case in the current ones.

(e) **Biennial administrative budget and project budgets.** The revised FRRs attempt to clarify the distinction between the ‘biennial administrative budget’ (formerly ‘biennial budget’) and ‘project budget’.

(f) **Procurement.** Chapter F, on procurement (and article 12, on the use of funds) of the proposed Financial Regulations and Rules replace Rules 114.17-114.26 of the current Financial Regulations and Rules. Internal controls are redefined to reflect updated business processes and organizational structure.

(g) **Payments.** No material changes.

(h) **Management of resources administered by UNOPS**

(i) Article 21 of the proposed Financial Regulations and Rules, ‘Inventories, property, plant and equipment’, prepares the organization to move towards IPSAS-prescribed treatment of property, plant and equipment;

(ii) **Accounting.** Rule 123.02 of the proposed Financial Regulations and Rules calls for the comptroller to ensure that UNOPS accounts undergo a provisional closing procedure on a regular basis, and at least quarterly.

24. Article 10, sections (a) through (h), attempt to cite the sections, articles and/or Regulations and Rules that are new or significantly revised.

25. In conclusion, the proposed revised Financial Regulations and Rules of November, 2008, seek to meet the demand for proper financial management at UNOPS and ensure that the regulatory framework of the organization aligns with the current business processes and organizational structure of UNOPS.