



FIFTH COMMITTEE
12th meeting
held on
Tuesday, 13 October 1981
at 3 p.m.
New York

SUMMARY RECORD OF THE 12th MEETING

Chairman: Mr. ABDALLA (Sudan)

later: Mr. GODFREY (New Zealand)

Chairman of the Advisory Committee on Administrative
and Budgetary Questions: Mr. MSELLE

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Report of the Advisory Committee on Administrative and Budgetary Questions

ORGANIZATION OF WORK

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The meeting was called to order at 3.15 p.m.

AGENDA ITEM 100: PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1982-1983
(continued) (A/36/38)

1. Mr. NAIK (Chairman of the Committee for Programme and Co-ordination) congratulated the Chairman of the Fifth Committee on his election and paid a tribute to the Chairman of the Advisory Committee. He would not speak in detail about the conclusions and recommendations of CPC, since they were contained in document A/36/38, which was before the Fifth Committee, and would merely highlight the main issues which required attention at the current session of the General Assembly.
2. The main issue before CPC had been the proposed programme budget for the next biennium. In that connexion, he recalled that the main guidelines given to CPC by the General Assembly for the consideration of the proposed budget had included a request to consider it with a view to ensuring the implementation by the Secretariat units concerned of the over-all priorities established by the Assembly.
3. In analysing that matter, CPC had had before it the report of the Secretary-General on the setting of priorities (A/C.5/36/1) and the corresponding report of the Joint Inspection Unit (A/36/171). As a result of its thorough analysis, CPC had evolved a plan for the establishment of a comprehensive system for setting priorities which, if endorsed by the Assembly, would constitute a major advance in completing the programme planning system in the United Nations. The specific recommendations of CPC in that regard were contained in paragraphs 453 to 471 of its report.
4. The second major function performed by CPC in reviewing the proposed programme budget was to ensure the correct interpretation of legislative mandates in their translation into programmes by the Secretariat. He wished to point out that the improvement in the form and presentation of the proposed programme budget for the biennium 1982-1983 had greatly facilitated the work of CPC in that regard.
5. The review of the proposed programme budget had also focused on whether the efforts of the various organizational units carrying out activities in related programme areas were well co-ordinated and formed a coherent whole. For that purpose, several sections covering related activities had been compared. In addition, the proposed programme budget had been circulated among the specialized agencies in the United Nations system for comments; that procedure had produced useful inputs to CPC in its efforts to improve the co-ordination of the work programmes of all the organs, organizations and agencies in the system.
6. Another task before CPC in its review of the proposed programmed budget had been the identification of activities that had been completed or were obsolete, of marginal usefulness or ineffective. In the opinion of CPC, that identification should become an integral part of the programme planning process.
7. The review of the proposed programme budget by CPC should also provide the programmatic analysis required for the Advisory Committee's review of the financial

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(Mr. Naik, Chairman, CPC)

aspects of the budget. That had not been possible, since both Committees had started their review of the proposed programme budget almost concurrently, because of the scheduling of their meetings. That was indeed unfortunate, and he suggested that the Fifth Committee should examine that aspect and perhaps request the Committee on Conferences to make recommendations which would enable CPC and ACABQ to fulfil their mandates as laid down by the General Assembly.

8. He drew the attention of the Fifth Committee to the limitations imposed on CPC by the lack of time, since only four weeks were available to it for its review of the proposed programme budget, as well as other important business. At its most recent session, therefore, CPC had been obliged to restrict its review of the budget and to leave out a number of sections from its scrutiny. If CPC was to fulfil its mandate with regard to the proposed programme budget, it must be allowed to make an in-depth review.

9. In that connexion, he suggested, firstly, that the CPC sessions might be extended by one week. Secondly, he suggested that a more analytical framework might be evolved for the proposed programme budget, including supporting documentation that would group together and analyse all related programme activities from different organizational units. At the twenty-first session of CPC, an informal note had been prepared by the Secretariat on an experimental basis covering a range of programme activities; that had facilitated the work of CPC. The Secretary-General could perhaps be asked to prepare such a grouping of activities and a preliminary analysis for all programme areas in future budgets.

10. CPC had dealt with other important issues in addition to the proposed programme budget. Those included a cross-organizational programme analysis of activities of the United Nations system relating to youth, the report of the Administrative Committee on Co-ordination and a report on regional co-operation and development.

11. In conclusion, he drew the attention of the Fifth Committee to the conclusions reached at the joint meetings of CPC and ACC, held in Geneva prior to the second session of the Economic and Social Council (E/1981/86). Those conclusions related to the implementation of the International Development Strategy for the Third United Nations Development Decade and the co-ordination of emergency and humanitarian relief assistance within the United Nations system and would therefore, in his opinion, facilitate the Fifth Committee's consideration of the proposed programme budget and other related matters.

General Debate (continued)

12. Mr. MIYAKAWA (Japan) began by expressing appreciation for the timely submission of the programme budget proposals for 1982-1983 and for the improvement in the quality of the relevant documents, which was the result of an effort by the Secretariat.

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(Mr. Miyakawa, Japan)

13. The description of the proposed programme budget as one of "zero real growth" had provoked an almost theological discussion as to its merits and demerits - a debate which it would be unwise to continue. His delegation endorsed the words of the Secretary-General who, when introducing the budget at the 8th meeting, had said that it reflected an evaluation of the task of the United Nations and should therefore be viewed in the light of the broader perspective of the Organization's development and could not be isolated from past commitments or from the economic and financial conditions of the world. The Secretary-General had added that the Organization should share in the efforts of Member States to implement policies of financial effectiveness and economy in the employment of resources.

14. Consequently, the programmes and budget of the United Nations could not be insulated from the global picture of fiscal retrenchment, which necessitated the setting of priorities to meet the growing demands in widening areas of human activities. Indeed, an effort had been made also in the United Nations to establish similar priorities, in order to ensure the financial health and organic vitality of the Organization.

15. When an internal mechanism existed to oversee the continual regeneration of an organization, to review its activities, to support those which were needed and terminate those that were unnecessary or of marginal usefulness, there should be no need to establish ceilings to ensure proper financial management. But such an internal mechanism was difficult to find in the real world. When trying to identify activities which were obsolete or unessential, programme managers might have to refute the value of their work in general, which might lead to the elimination of staff and posts. For that reason, many organizations and many governments, including his own, had either introduced external control mechanisms or imposed ceilings on their budgets or on the size of their staff, in order to contain the uncontrolled increase in resource requests. In his opinion, that was a very effective measure, since it meant that new activities were considered competitively and harmonized with existing or projected resources.

16. In the case of the United Nations, the budget had almost doubled every five years and, in his delegation's view, the Organization had grown too large. Japan therefore welcomed the Secretary-General's proposal for zero real growth and believed that that initiative should serve as a model for other United Nations organizations. But the idea of zero real growth was not an end in itself, but a dynamic process for better utilization of resources.

17. In the next biennium expenditure would actually be greater, after revised estimates had been submitted of financial requirements. That had already occurred in the case of the budget for the biennium 1980-1981, in which the original appropriations had later been exceeded considerably in various sectors. In the light of that experience, his delegation would like to keep a close watch on the manner in which the proposed programme budget for 1982-1983 developed, since zero growth did not mean much if it was simply a mechanical concept.

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(Mr. Miyakawa, Japan)

18. His delegation was aware that similar economic and financial constraints existed in many other Member States; at the same time, it was convinced of the need to ensure continuing public support of the United Nations by preserving its financial credibility. Consequently, it firmly believed that the policy of restraint had to be not merely continued, but reinforced.

19. A case in point was the handling of inflation. Gross expenditures for the forthcoming biennium were estimated at \$US 1.5 billion, representing an increase of 14.7 per cent over the revised appropriations for 1980-1981 in nominal terms, owing mainly to inflation. Since personnel costs accounted for 75 to 80 per cent of total expenditures, an element of inflation in the United Nations budget was inevitable as long as the current salary adjustment system was maintained. In his view, however, there would still be room for economy, absorption, redeployment, enhancement of productivity and the implementation of other rationalization measures.

20. The scarcity of financial resources, coupled with efforts to absorb the inflationary element, should lead to a shift of resources from activities of lower, to those of higher, priority. The setting of priorities had long been recognized by the General Assembly as the most effective method of streamlining United Nations activities and enhancing the vitality of programmes; however, his delegation noted that, in many sections of the proposed budget estimates, priorities had still not been identified; that was particularly the case for low-priority programme activities.

21. He welcomed the fact that the Committee for Programme and Co-ordination (CPC) had agreed on the fundamental framework of priority setting, and expressed the hope that its recommendation, endorsed by the Economic and Social Council, would be approved by the General Assembly at the current session, so that the preparation of the mid-term plan for 1984-1989 would be completed in conformity with the setting of priorities and that there would be a further streamlining of non-essential activities.

22. He suggested that the policy of restraint could be approached through what might be called "economies in implementation". Thus far the United Nations budget had been regarded not only as an authorization, but also as an appropriation, of resources. The performance of programme managers tended to be judged on the basis of their success in fully spending the resources allocated to them. In his view, that trend should be reversed: their performance should be judged on the basis of their ability to achieve the purpose of their programmes without spending all the resources allocated to them. In other words, a major criterion for evaluating a programme should be how economically it was carried out.

23. That approach to budget implementation would be helpful in determining the validity of the base figure of the current budget - since there were doubtless some inessential elements in the budget - and also in identifying possible ways of streamlining the budget, given that the effectiveness and quality of the current

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(Mr. Miyakawa, Japan)

evaluation system could be improved. Furthermore, that approach was in line with the idea that United Nations activities should be made more productive and cost-effective, as the Secretary-General had indicated.

24. In his delegation's view, one possible area in which inessential activities might be identified and eliminated by means of "economies in implementation" was travel. In the proposed programme budget, the proposed expenditure for staff travel, either to attend meetings or on official business, was \$21.6 million, slightly more than had been allocated in the 1980-1981 budget. Assuming for the purpose of simplification that an average trip from New York to Geneva would be 10 days in duration and would cost approximately \$2,000, the proposed budget for staff travel would make possible 10,800 trips, in other words, an average of 2.5 trips for every staff member in the Professional and higher categories, of whom there were about 4,300. From any standpoint, that sum was too high.

25. A close examination of every section of the programme budget would probably bring to light many instances of "excessive" or "non-essential" travel. His delegation therefore suggested that the Secretary-General might consider establishing a fixed ceiling, 5 per cent or 10 per cent below the approved budget figure, for the planning and implementation of official staff travel and that, only when it became absolutely essential, in the Secretary-General's opinion, should he be empowered to disburse the total sum allocated. Furthermore, he should set aside resources left over from programme budgets as the result of "economies in implementation", to be used in supplementary budgets that might be necessary later. Similar economies in implementation would be possible in such other areas of expenditure as overtime, communications and employment of consultants.

26. Another area to which more attention should be paid was Conference Services. It was well known that United Nations meetings did not start on time - there were frequently delays of half an hour, and sometimes one hour or longer - with the result that many delegates, as well as the conference servicing staff, including interpreters and précis writers, were kept waiting, which was a waste of time and money. That led to lax attitudes on the part of others, inducing them to arrive late. That kind of waste, over a year, must amount to a considerable figure; an attempt should be made to calculate its magnitude in concrete figures.

27. In addition, complaints were frequently made about having too many meetings and documents to cope with, the result being delays in submission of documents and a state of constant "indigestion" and declining productivity of meetings. Admittedly, it was mainly the delegations and not the Secretariat that bore the responsibility. The calendar of conferences was decided by the Member States, and it was incumbent on the Fifth Committee to remind the members of the other Main Committees and other United Nations organs of the implications of their performance and their decisions on the United Nations budget.

28. The Secretary-General proposed a total of 236 reclassifications for 1982-1983, which was more than three times the total of 71 reclassifications requested in the proposed programme budget for 1980-1981. His delegation was aware that

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(Mr. Miyakawa, Japan)

reclassification was being used in some cases as a means of granting promotions quietly, and he cautioned against resorting too frequently to reclassification, since the result was a Secretariat with a structure that was increasingly top heavy. In that regard, his delegation agreed with the comments in paragraph 35 of the Advisory Committee's report (A/36/7).

29. With regard to the question of extrabudgetary resources and related posts, his delegation appreciated the efforts of the Secretariat to include information in the documents submitted to the Fifth Committee. However, the categories of extrabudgetary resources used in the programme budget documents were not clear and required further improvement, including a very clear definition of the terminology used. One typical example was the distinction between the "other United Nations organizations" and "extrabudgetary programmes" listed in some of the tables of the documents. Further, as the Advisory Committee pointed out in paragraph 43 of its report, more than 2,500 posts would be financed with extrabudgetary resources in 1982-1983, excluding those posts related to operational projects. In view of the great number of extrabudgetary posts, corresponding to almost a quarter of the number of established posts covered in the regular budget, more attention to that problem would be required. As indicated in paragraph 47 of the Advisory Committee's report, there was a degree of inconsistency between the estimates of extrabudgetary staffing resources and the staffing tables appearing in the various sections of the budget documents. His delegation trusted that appropriate measures would be taken by the Secretariat to remedy that situation.

30. As to the relationship between ACABQ and CPC, his delegation recognized that budget review and programme review were two distinct activities, and that the work of CPC was therefore no substitute for that of ACABQ. On the contrary, their roles should be supplementary and mutually reinforcing.

31. Mr. Godfrey (New Zealand) took the Chair.

32. Mr. BRODODININGRAT (Indonesia) said that the budget documents before the Committee in 1981 consisted of 1,446 pages, excluding the first report of the Advisory Committee and the comments of CPC on it. While he was glad to note the statement contained in paragraph 3 of the Advisory Committee's first report (A/36/7) that at the General Assembly's current session the budget documents had been more timely in reaching that Committee, he was still obliged to remark that those documents had been made available to delegations on 9 September, less than one week before the opening of the session. Consequently his delegation, not yet having completed its study of all the documents, would not enter into technical details and would confine its comments to some principal features of United Nations budget policy, more specifically, to the question of budgetary growth.

33. The basic position of his delegation with regard to the United Nations programme budget had been clearly reflected in the statement made in the general debate by the Indonesian Minister for Foreign Affairs, who had said, inter alia:

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(Mr. Brotodiningrat, Indonesia)

"In this context, the organs and organizations of the United Nations system could and should play their crucial role, and to this end it is imperative to equip them with the necessary means. My delegation is among the first to urge for efficiency and economy. But we are of the view that efficiency in measures of economy should not be misused by setting arbitrary limitations that would impair the system in implementing legitimate programmes and activities. Because the United Nations system, with all its weaknesses, still remains our best vehicle for channelling our concerted efforts to achieve our goals of social and economic development."

34. It was therefore gratifying to read in the report of the Secretary-General on the work of the Organization (A/36/1) that that policy, which was basically effected through redeployment of staff resources, would in no way weaken, curtail or pre-empt programmes for support of economic and social development in the developing countries. Those assurances had somewhat lessened Indonesia's concern over uncertain prospects of the programme-delivery capacity of the United Nations in facing the so-called "zero growth" concept. In paragraph 3 of the foreword to the proposed programme budget for the biennium 1982-1983 (A/36/6) the Secretary-General himself had stated that the Secretariat, in particular, could not successfully and efficiently accomplish the ever-widening range of tasks assigned to it without being granted adequate means to do so. Indications of those adverse effects could also be found in the statements made by some executive heads of organizations, such as the Executive Director of UNIDO and a number of programme managers.

35. His delegation felt some apprehension about the concept of a "zero real growth budget". That concept was questionable from the legal, political and institutional points of view. It was legally questionable because it had no legislative basis. Politically, it had been argued in support of the concept that the budgetary policy of the United Nations should be deliberately oriented towards maintaining and strengthening the financial credibility of the Organization at a time when many Member States were confronted by serious economic and financial difficulties and that therefore the current budgetary policy must take into account the efforts being made by many Member States to contain their own public spending and should reflect a similar course of utmost restraint and economy. While the validity of that argument was undeniable, the fact was that it related to only part of the political picture, since it conveniently omitted another political reality, namely, the expectations of the majority of Member States, representing the vast proportion of mankind, which considered it appropriate for the Organization to play an expanding role not only in the maintenance of international peace and security but also in the eradication of poverty, the improvement of living standards and the establishment of an economic order based on justice and equity.

36. From the institutional point of view, it was an established practice in the United Nations that the budget was prepared after the programmes, and the entire institutional mechanism of the Organization was geared accordingly. The so-called "zero real growth budget", on the contrary, would in fact mean that the budget level would be determined a priori, before the programmes; as the Kenyan delegation had

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(Mr. Brotodiningrat, Indonesia)

put it, that would indeed be a "financial fait accompli", that is to say, a completely opposite system, which in all likelihood would create many distortions in the entire machinery of the United Nations.

37. With respect to the rate of real growth, it was clear from a reading of annex VII to the foreword to document A/36/6 and of document A/C.5/36/1 that the General Assembly had been wise in deciding at its thirty-fifth session (resolution 35/9, para. 6) that the Committee on Programme and Co-ordination should not continue setting relative real-growth rates. Since the preceding biennium, the utilization of that tool, intended as a legislative guideline to the Secretariat for positive priority setting, had been distorted into a justification of the "zero growth" concept. In fact, by lowering the target real-growth ranges, the Secretariat had deliberately misinterpreted the CPC rating for "average" real growth as "zero growth", and the ratings for "below and well below average" real growth as negative growth. That was clearly inconsistent with the spirit in which relative real-growth rates had been established in CPC, and it could not in any way be construed as a reflection of the legislative wish.

38. If the programme budget for 1982-1983 was compared with the one for the preceding biennium, it was even more difficult to understand how the CPC guidelines on relative real-growth rates had been applied by the Secretariat. In the 1982-1983 programme budget, CPC had placed seven out of 14 major programmes in the "above average" growth-rate category, in comparison with only three during the preceding biennium. Yet, curiously enough, the preceding biennium's programme budget as a whole, according to the Secretary-General's original proposal, had an average growth rate of 0.8 per cent, whereas the present programme budget not only was stagnant in real terms but even suffered a negative real-growth rate of 0.2 per cent. It would be desirable for the Secretariat to explain that curious situation.

39. Furthermore, in annex VII to the foreword to the proposed programme budget the Secretariat had rated all seven of those major programmes as "above average", a lower growth rate than was recommended by CPC. That would mean, at best, that those programmes would be given an "average" rating, and thus a "zero growth" rating according to the Secretariat's target scales for real growth. On the other hand, among the eight major programmes to which the Secretariat had accorded higher growth rates than those recommended by CPC, four belonged to the "well below average" or "below average" category, so that their upgrading would not entail real growth. Without making any accusation, he said it must be recognized that those recommendations of priorities gave the impression of a deliberate attempt to neutralize the rate of real growth of the budget.

40. The problem of growth involved external factors, such as inflation, which were outside the Secretary-General's control. Nevertheless, when the present rate of growth was compared with that of the preceding biennium, it was difficult not to see a ~~tragi-comedy~~ tragedy. During the preceding biennium, a budget increase in absolute terms of 11 per cent had produced a real-growth rate of 0.8 per cent. Now, an increase in absolute terms of 13.7 per cent yielded a negative growth rate of 0.2 per cent. It was to be hoped that the Organization would not arrive in two years at a situation in which, for example, an increase of 20 per cent in absolute values would yield an even more negative rate of real growth.

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(Mr. Brotodiningrat, Indonesia)

41. A related problem was that of the proposed allocation of resources, more specifically, the proportion between the expenses devoted to substantive activities and those devoted to common services. In that connexion, he pointed out that paragraph 22 of the Advisory Committee's first report stated that "there emerges a picture of considerable stability in the distribution of resources by main fields of activities". That would mean a pattern of resource distribution in which there was a shift towards proportionately less expenditure on substantive activities and more expenditure on common services. If that conclusion was linked with the budget policy currently proposed, which was "basically effected through redeployment of resources", then there was an evident need for the Secretary-General to explain how the redeployment had been conducted. The Secretary-General kept assuring the Committee that thanks to redeployment of resources a "zero real growth budget" would not adversely affect programme delivery - in other words, the same size of input was expected to yield a bigger output. Logically, that could be done only by redeploying resources from non-output-bearing sections, namely, common services, to output-bearing ones, namely, substantive activities. That, precisely, was not reflected in the budget document. Therefore his delegation would be grateful to receive a further explanation on how resource redeployment had been conducted to preserve the Organization's programme-delivery capacity.

42. Another important aspect of the budget which was always linked to the concept of a "zero real growth budget" and to the question of redeployment of resources was the so-called problem of identification of activities which were completed, obsolete, of marginal usefulness or ineffective. His delegation would state its comments on that problem when the Committee took up the setting of priorities, in connexion with agenda item 101, entitled "Programme planning".

43. Turning to a question of procedure, he said he shared the view expressed by the representative of India at a previous meeting that, in its deliberations on the programme budget, the Fifth Committee had not paid due attention to programme aspects. In addition to the Secretary-General, who introduced the programme budget proposals, and the Chairman of the Advisory Committee, who introduced the Advisory Committee's first report, the Chairman of CPC should be invited to introduce at the beginning of its deliberations the sections of that Committee's report pertaining to the programme budget. He also endorsed the Indian proposal that the Assistant-Secretary-General for Programme Planning and Co-ordination should be fully involved not only in the programme budget preparation but also in the deliberations of the Fifth Committee. His delegation hoped that the Assistant-Secretary-General would be present throughout the discussion of the item so that he could give additional explanations and answer questions on the programme aspects of the budget, in particular in the economic and social fields. He was not suggesting the merging of agenda item 100, "Proposed programme budget for the biennium 1982-1983", and item 101, "Programme planning", but that the relevant sections of the CPC report should be fully integrated into the deliberations on the budget. The other sections of the report would, of course, continue to be discussed under item 101.

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(Mr. Brotodiningrat, Indonesia)

44. His delegation had no preconceived objection to the level of the budget proposed by the Secretary-General but neither did it want the level of the budget to affect adversely the Organization's capacity to implement agreed programmes. If convincing additional explanations could be provided establishing that all the agreed programmes would be implemented, concern over the level of planned expenditure, and even the so-called zero real growth budget, would be reduced.

45. He wished to state that his delegation's statement should in no way be interpreted as favouring waste or of being against economy, or as a signal that it was always ready blindly to support all requests by programme managers for resources. He urged strict observance of financial discipline and the principle of efficiency but also wished to see the Organization protected against limitations that might undermine its ability to carry out the tasks entrusted to it.

AGENDA ITEM 98: FINANCIAL REPORTS AND ACCOUNTS, AND REPORTS OF THE BOARD OF AUDITORS (continued)

(g) ORGANIZATION AND PROFESSIONAL PRACTICES OF THE BOARD OF AUDITORS (A/36/174, 175, 176 and 581; A/C.5/34/L.3 and A/C.5/36/L.4)

46. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that, in view of the consensus which seemed to exist in the Fifth Committee on the item under consideration, he would not make a long introduction of the Advisory Committee's report (A/36/581).

47. As would be recalled, in 1979 the delegation of Canada had made a proposal in the General Assembly on the organization and professional practices of the Board of Auditors (document A/C.5/34/L.3, reproduced in document A/36/581). The General Assembly had decided to defer its consideration of the proposal, to seek the views of the Board of Auditors, the Panel of External Auditors and the Secretary-General, and to request the Advisory Committee to submit its observations and recommendations on the three reports that would be submitted.

48. The Advisory Committee's report (A/36/581) contained, for the most part, a summary of the three reports (A/36/174, A/36/175 and A/36/176) and was relatively brief since the reports contained no major differences of opinion. It should also be recalled that the Advisory Committee had previously presented reports on the organization and professional practices of the Board of Auditors, to which reference was made in the reports before the Committee.

49. The Canadian proposal included the following four main recommendations: (a) the role of the Board of Auditors should be changed; (b) the General Assembly should appoint an Auditor-General of the United Nations; (c) the Auditor-General should be given responsibility for selecting audit staff; and (d) the systems-based audit approach should be gradually extended. The Advisory Committee had organized its report on the basis of those four main recommendations; its views and recommendations were to be found in paragraphs 7, 18 and 23.

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(Mr. Mselle, Chairman, ACABQ)

50. He considered the Canadian proposal to be praiseworthy since its aims were to ensure that the United Nations had an audit service which was effective and competent and which enjoyed the confidence of Member States and the Secretariat. All the reports were in agreement with those objectives but they differed from the Canadian proposal on the ways and means of attaining them. The Advisory Committee concluded in its report that it had not been demonstrated that the attainment of those objectives required the introduction at the current stage of the far-reaching and possibly costly reforms which the Canadian proposal would entail.

51. Mr. PEDERSEN (Canada) said that, since the matter had been under consideration for some time, it might be helpful briefly to review the background and refer to a number of points covered in the four reports on the item before the Committee.

52. Three years earlier his delegation had presented a proposal for significant changes in the institutional and practical arrangements for auditing in the United Nations (A/C.5/34/L.3). That proposal had been motivated primarily by the following considerations (para. 3): (a) the growing complexity of United Nations activities and the high degree of interrelationship of the organizations involved in those activities; (b) the desirability of achieving both greater continuity and broader representation and participation than was possible under the existing arrangements; (c) the increasing sophistication of United Nations accounts arising from the introduction of programme budgeting, the decentralization of management responsibility and increasing computerization; (d) the improvement in contemporary audit techniques which emphasized the review and testing of systems, including computerized systems, rather than simply the extensive checking of financial transactions; and (e) the variations in the current state of Government and private sector auditing methodology among Member States.

53. All those factors pointed to the conclusion that there was a basic contradiction between the type of audit the United Nations needed and the ability of the Board of Auditors to supply it under existing arrangements.

54. As briefly mentioned by the Chairman of the Advisory Committee, his delegation's proposal was essentially fourfold (para. 8): (a) the role of the Board of Auditors should be changed from that of actually conducting the audit to that of an Audit Committee acting on behalf of the General Assembly, and its membership should be increased to make it more representative of the United Nations; (b) on the nomination of the Board of Auditors, the General Assembly should appoint an appropriately qualified person as Auditor-General of the United Nations, to be responsible for conducting the audit (the Auditor-General and his staff would be given complete independence from the administration and would report to the General Assembly through the expanded Board of Auditors); (c) the Auditor-General should be given responsibility for selecting audit staff from all regions of the world, with due regard to experience and competence, and such other guidelines as might be established by the Board of Auditors; (d) the systems-based audit approach should be gradually extended to include an assessment of the adequacy of systems in contributing to the economical, efficient and effective expenditure of United Nations resources.

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(Mr. Pedersen, Canada)

55. It was evident from the documentation made available that there was a body of opinion which remained unconvinced that the advantages of his delegation's proposal were sufficiently strong to justify abandoning existing practices at the current time. On the other hand, his delegation, in its consultations with the international auditing fraternity, had found that professionals viewed with considerable enthusiasm certain aspects of its proposal, and it was therefore interested to hear what other delegations had to say on the matter.

56. In the report of the Board of Auditors (A/36/175) and the report of the Panel of External Auditors (A/36/174), there was discussion of the need to maintain continuity in the work of the Board. In both those reports, it was noted that historical continuity of Board membership had not presented a real problem. However, the Panel of External Auditors observed that there had been three changes in Board membership in the preceding four years. However, it was not only changes in membership of the Board itself that affected continuity of the audit but also the membership of the Audit Operations Committee and the composition of the working level audit teams. There had been considerable turnover in membership of the Audit Operations Committee since its inception, with the notable exception of its current Chairman. The same was perhaps true of audit staff generally. His delegation believed that the concept of a full-time Auditor-General with responsibility for selecting audit staff from all regions of the world would ensure greater continuity of auditing personnel at the policy, managerial and operation level.

57. With regard to the question of consistency of audit coverage, the Board of Auditors recognized in its report (para. 18) that variations in audit methodology existed but did not appear to share the view that a more consistent or common approach to all entities audited by the Board would provide a more even basis for reporting to the General Assembly. In the view of his delegation, such an approach would ensure that auditing methodology was applied consistently and that the results were reported on a comparable basis.

58. The Board of Auditors believed (para. 21) that it had been representative of the membership of the United Nations. His delegation feared that it was not possible to achieve at the same time adequate continuity and broad representation under the existing system. When the Board of Auditors had been established, there had been three Auditors-General to 50 Member States, while at the current time there were three Auditors-General for more than 150 States. In fact, the desire for continuity had precluded broader participation in the Board, and perhaps continuity had been the proper choice. Canada, which had been a member of the Board for 21 of the 36 years in which the United Nations had been in existence, had the longest service on the Board.

59. The Board stated in its report that membership of the proposed audit committee would be restricted, since membership would require a wide understanding of United Nations finances. Canada had never suggested that membership would require anything more than was demanded in the present selection of Board members. Therefore, not only would the Canadian proposals lead to broader representation, but they would mean that the possibility of Member States' serving at the operational level would increase enormously.

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(Mr. Pedersen, Canada)

60. The Panel of External Auditors acknowledged in its report (para. 4) that the Canadian proposal would provide an opportunity to orient and develop staff of national audit services on a world-wide basis. More Member States could participate in the audit process by providing candidates from their own national services for the Auditor-General's staff. The report of the Board of Auditors was strangely silent on that point. The Canadian Government remained of the view that the advantages of participating in the audit process outlined in paragraphs 11 and 12 of document A/C.5/34/L.3 should not be restricted to three members of the Board of Auditors.

61. On the question of independence of the Auditor-General and the audit staff, he said that the Canadian Government believed very strongly in the importance of independence and wished to dispel any suggestion that its proposals would lessen that essential characteristic of the United Nations audit. According to the Canadian proposals, the General Assembly, on the nomination of an expanded Board of Auditors, would appoint an Auditor-General and the Auditor-General would report to the General Assembly through the expanded Board. The Board stated (para. 24) that three heads were better than one; one might therefore say that fifteen heads would be better than three. His delegation wished to emphasize that the Auditor-General should have the freedom to select his own staff and to ensure that they were not subject to the rules of the United Nations personnel system. Canada was recommending an approach to staffing which would promote the principles of competence, flexibility, turnover and independence, all of which were essential in a modern audit organization.

62. The Secretary-General suggested in paragraph 17 of his report (A/36/176) that the proposed changes contradicted principles expressed by ACC and endorsed by ACABQ and the Fifth Committee that final responsibility for external audit should rest with governmental auditors. That was exactly what the Canadian proposals foresaw, namely, that the final decisions on audit, including action to be taken, would rest with the committee, most of whose members would be national Auditors-General.

63. The Secretary-General also suggested (para. 18) that it might be difficult to appoint and convene an audit committee at the level and of the size proposed, and that its review role would be too limited in the light of its rank and composition. In that connexion, his delegation must point to present practice, where field operations were carried out by national service staff, and to parallels which could be drawn with ICSC, the members of which were senior officials who met to review and approve work done by others.

64. The reports of the Board of Auditors and the Panel of External Auditors raised the question of the probable cost of the new proposals. While the Canadian delegation was of the view that the amount of \$3.3 million provided for the 1980-1981 biennium would be enough to cover their cost, it would have no objection to a more detailed evaluation of the financial implications, which could be considered at a future session of the General Assembly.

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(Mr. Pedersen, Canada)

65. The Panel of External Auditors suggested in paragraph 8(a) of its report (A/36/174) that any further changes considered desirable could be made by developing the existing system further. It also pointed out that the relevant rules and regulations did not appear to restrict such further development. The Panel envisaged further progress along the lines begun in 1976 (para. 7). However, one of the major changes introduced in 1976 had not been applied. The position of Director-General had been created at that time to preside over an integrated audit unit and to provide leadership in planning, organizing, conducting and reporting on the work of the Board of Auditors. According to the information available to the Canadian delegation, that key position (approved in the budget submitted for the biennium 1980-1981) had been allowed to lapse, and it wondered how that had contributed to improving the organization and professional practices of the Board of Auditors.

66. The Board of Auditors also made reference to the role of ACABQ. His delegation considered that it would be very useful for the United Nations to have a committee as expert on audit as the Advisory Committee was in administrative and budgetary matters. Audit reports, to be fully utilized, should be used to question administrative and financial practices, eventually leading to reform.

67. The Canadian delegation considered that the reports of the Board of Auditors, the Panel of External Auditors, the Secretary-General and ACABQ were very useful additions to the examination of the question. The Panel pointed out that the existing arrangements were probably adequate if progress was continued. At the same time, the Panel saw no impediment to adopting the Canadian proposals. The Board of Auditors saw no need for change, although it acknowledged that the Canadian proposals were not only designed to upgrade the audit system but would also allow for greater participation in the audit itself by personnel from many more Member States than the three on the present Board.

68. The Canadian delegation recognized that the changes it had proposed represented a considerable break with long-established tradition, but it thought that they had considerable merit. The size and nature of the Board of Auditors had not changed since 1945, although the membership of the United Nations had tripled and expenditures and assets had grown at least twentyfold.

69. Since, however, on the basis of the various reports and the informal contacts with delegations, it appeared that such changes would be premature for the time being, the Canadian delegation was not going to press its proposal. All the members of the Fifth Committee were certainly agreed on one essential point underlined in all the reports, namely, that there was a need to provide the States Members of the United Nations with the highest available standards of auditing. Similarly, there was full confidence in the present members of the Board of Auditors. His delegation would therefore hope that the Fifth Committee would decide not to close the matter but simply to remain seized of it.

70. To that end, the Canadian delegation had submitted draft decision A/C.5/36/L.4, of which the New Zealand delegation was also a sponsor. That decision would serve

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(Mr. Pedersen, Canada)

simply to recognize the possibility for future consideration of the Board's organization and professional practices. Following informal consultations, his delegation could report that the draft decision had the support of the delegations of Bangladesh, Ghana and Belgium, the countries which provided the current members of the Board of Auditors. His delegation welcomed the consensus reflected in the four reports with respect to the extension of systems-based auditing to include "value-for-money" audit.

71. He reminded the Committee that, when Canada had put forward its proposal, it had announced that the Government of Canada was launching a five-year programme of fellowships to provide orientation and training in comprehensive auditing for senior auditors from developing countries. That programme was now well under way and fellowships had been awarded or were in the process of being awarded to audit personnel from more than 20 countries in Africa, Asia, and Latin America and the Caribbean.

72. Mr. HICKEY (Australia) said that the debate on the financial reports and statements and the reports of the Board of Auditors had demonstrated that Member States were now much more conscious of the need for audit than previously. He was gratified that many delegations shared the Australian delegation's concern over such key issues as unpaid contributions, accumulation of non-convertible currencies, failure to comply with the Financial Regulations and the recurrence of deficit budgets. More efficient use of United Nations resources would be guaranteed only by continued vigilance on the part of Member States, a vigilance which should include critical scrutiny of the financial system itself, including the audit function.

73. His delegation supported the observations made in the Committee with respect to the need for constant review of management and audit activities to take into account innovations. Systems-based auditing and the impact of computerization on financial control were just two examples of new developments which would have a dramatic impact on United Nations finances and administration.

74. The debate had also offered the Committee the opportunity to have direct contact with representatives of various United Nations agencies responsible for financial management. Generally the statements made by agency representatives had been lucid and informative. Indeed, in several instances the explanations had been so convincingly sufficient that he wondered why the auditors had registered criticism.

75. While not wishing to call into question the diligent work of the Board of Auditors, there was a definite need to keep both United Nations financial practices and the operations of the Board itself under constant review.

76. The debate had also served as an introduction to the second part of the item concerning the so-called "Canadian proposals". The proposals had stimulated debate on the United Nations existing audit system and, in particular, on what might be necessary to improve the system in the future. While the reports of the Advisory

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(Mr. Hickey, Australia)

Committee on Administrative and Budgetary Questions, the Board of Auditors, the Panel of External Auditors and the Secretary-General took issue with some of the Canadian suggestions, at the same time they endorsed a number of other Canadian recommendations, including expansion of the scope of United Nations audit activities. The thrust of the Canadian recommendations was consistent with the most up-to-date approaches practised by Auditors-General in developed and developing countries. While the current session might not be the most appropriate time to make extensive changes, many of the Canadian suggestions would inevitably have to be implemented in due course. More attention would have to be given to efficiency and cost-effectiveness. High priority would also have to be accorded to the audit or computerized machines.

77. The Canadian initiative had led to an important self-examination by those most concerned with the audit practices of the United Nations and it was vital that those proposals, perhaps in an amended form, should be looked at again in conjunction with a re-examination of the adequacy of the audit system as it then existed. Accordingly his delegation commended the draft decision drawn up by Canada and New Zealand.

78. Mr. AMNEUS (Sweden) said that his delegation had supported the Canadian proposal when it had been originally drafted two years before. The question of the organization and professional practices of the Board of Auditors was of such importance as to warrant constant review by the Committee. His delegation therefore supported the draft decision in document A/C.5/36/L.4.

79. Mr. ZINIEL (Ghana) thanked the delegation and Auditor-General of Canada for the important initiative taken on the question of the organization and professional practices of the Board of Auditors. The Board had made a major contribution towards improving the management and control of United Nations resources. His delegation reaffirmed its support of all measures designed to enhance the Board's capacity to conduct audits that would have the confidence of the international community. Those were precisely the objectives of the Canadian proposal.

80. The comments made on that subject by the Panel of External Auditors, the Board of Auditors, the Advisory Committee on Administrative and Budgetary Questions and the Secretary-General were appropriate, and his delegation concurred in the general opinion that frequent changes in the membership of the Board should be avoided.

81. The first conclusion to be drawn from the reports referred to was that the Board, as constituted, could meet the expectations of all both efficiently and at minimum cost. That implied the need for participation by the Advisory Committee on Administrative and Budgetary Questions in the operations of the Board.

82. The second conclusion was that the Board should continue to keep abreast of the changing audit requirements of the Organization. His delegation supported both conclusions which were in keeping with the spirit of the Canadian proposal and with the draft decision submitted to the Committee. He was therefore in favour of the draft decision and hoped that it would be adopted by consensus.

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83. Mr. KUYAMA (Japan) said that, at the present time, owing to the growth in United Nations activities, a review of the external audit operations of the Organization would be justified and that the Canadian initiative to that effect was therefore commendable.

84. The Canadian proposal recommended that the role of the Board should be changed into that of an audit committee and that its membership should be increased. The Board would thereby actually be transformed into a review committee with a secondary function of external auditing. That recommendation did not seem consistent with the traditional practice whereby governmental auditors performed the functions of external audit.

85. As for the appointment of an Auditor-General of the United Nations and the provision of completely independent staff, it might be advisable to use staff who would work on behalf of the Board of Auditors and under its guidance, although that would involve the establishment of an additional office. Nevertheless, the same purposes might be achieved by recourse to the possibility indicated in Financial Regulation 12.9 and referred to in paragraph 20 of the report of the Secretary-General (A/36/176).

86. With regard to the systems-based audit approach, he drew attention to the statement in the Secretary-General's report that, by and large, the Board of Auditors had been able to keep abreast of improvements in contemporary audit practice.

87. One of the main purposes of the Canadian proposal was to ensure the continuity of external audit. As indicated by the Secretary-General in paragraph 19 of his report, members of the Board in practice had generally served thereon for far longer than the minimum three-year term. It was further stated in paragraph 6 of the report that continuity could be achieved through reappointment of retiring Board members. The possibility should therefore be considered of extending the term of appointment to five years, for example, provided that that did not affect the desirable representation on the Board, for instance, by a more frequent rotation of the Board's membership.

88. With regard to the Canadian proposal, the responsibility for reviewing the reports of the Board, which rested with the Advisory Committee on Administrative and Budgetary Questions, could be assigned to the new audit committee. On the other hand, the existing arrangement did not seem to have serious disadvantages because the Advisory Committee already operated as an audit committee with a membership of approximately the same number as would be assigned to the audit committee proposed by Canada. Closer co-operation between the Board and the Advisory Committee would be highly desirable.

89. In the light of those observations, his delegation thought that the time had not yet come to adopt the recommendations in the Canadian proposal and endorsed the conclusions set forth in paragraph 24 of the Advisory Committee's report (A/36/581).

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90. Mr. PEDERSEN (Canada) asked whether the Chairman of the Board of Auditors could clarify the present situation with regard to the Director-General of the Audit Operations Committee.

91. Mr. VREBOS (Chairman, Board of Auditors) replied that it had been decided not to appoint a Director-General of the Audit Operations Committee but rather to assign that responsibility to one of the three Directors. In the first year the Auditor-General representing Ghana had been appointed and, owing to some changes in other delegations, he was continuing in the post. At the end of the year, and as provided in the rules of procedure of the Audit Operations Committee, the possibility of appointing a new Auditor-General or retaining the present officer in the post, would be studied.

92. The CHAIRMAN said that, if there were no objections, he would consider that the Committee adopted the draft decision in document A/C.5/36/L.4.

93. It was so agreed.

ORGANIZATION OF WORK

94. The CHAIRMAN said that, as there were not sufficient members on the speakers' list for Wednesday 14 and Thursday 15 October, it might be advisable to cancel those meetings. The next meeting would be held on Friday, 16 October.

95. Mr. KEMAL (Pakistan) said that, if the meetings scheduled for 14 and 15 October were not held, the time could be used by delegations for informal discussions and other useful activities. He therefore agreed with the Chairman's suggestion.

96. Mr. LAHLOU (Morocco) said that, in view of the Committee's workload, it would be advisable to hold at least one of the meetings scheduled for 14 and 15 October.

97. After an exchange of views, in which Mr. PALAMARCHUK (Union of Soviet Socialist Republics), Mr. MAJOLI (Italy) and Mr. BUNC (Yugoslavia) took part, the CHAIRMAN suggested that the meetings scheduled for Wednesday 14 and Thursday 15 October should be cancelled and that the next meeting should be held on Friday 16 October.

98. It was so agreed.

The meeting rose at 5.30 p.m.