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Agenda item 116**

FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS

Report of the Fifth Committee

Rapporteur: Mr. Shamel NASSER (Egypt)

1. At its 3rd plenary meeting, on 21 September 1990, the General Assembly decided to include in the agenda of its forty-fifth session, and to allocate to the Fifth Committee, the item entitled:

"Financial reports and audited financial statements, and reports of the Board of Auditors:

"(a) United Nations;

"(b) United Nations Development Programme;

"(c) United Nations Children's Fund;

"(d) United Nations Relief and Works Agency for Palestine Refugees in the Near East;

"(e) United Nations Institute for Training and Research;

"(f) Voluntary funds administered by the United Nations High Commissioner for Refugees;

"(g) Fund of the United Nations Environment Programme;

"(h) United Nations Population Fund;

"(i) United Nations Habitat and Human Settlements Foundation".

2. At its 4th, 7th to 11th and 30th meetings, on 8 and 12 to 17 October and 16 November 1990, the Fifth Committee considered the financial reports and audited financial statements for the period ended 31 December 1989 and the reports and audit opinions of the Board of Auditors concerning the United Nations, including the International Trade Centre and the United Nations University, 1/ United Nations Development Programme, 2/ the United Nations Children's Fund, 3/ the United Nations Relief and Works Agency for Palestine Refugees in the Near East, 4/ the United Nations Institute for Training and Research, 5/ the voluntary funds administered by the United Nations High Commissioner for Refugees, 6/ the Fund of the United Nations Environment Programme, 7/ the United Nations Population Fund 8/ and the United Nations Habitat and Human Settlements Foundation 9/ and the related report of the Advisory Committee on Administrative and Budgetary Questions (A/45/570 and Corr.1).

3. The Committee also had before it a report by the Secretary-General transmitting a summary of the principal findings and conclusions of the Board of Auditors (A/45/457); a report by the Secretary-General on the implementation of the recommendations of the Board of Auditors and of the Advisory Committee on Administrative and Budgetary Questions (A/45/509); as well as a report of the Secretary-General on the general accounting framework for financial statements (A/45/537).

4. The comments and observations made in the course of the discussion of the item and the replies to queries raised are reflected in the summary records of the Fifth Committee (A/C.5/45/SR.4, 7 to 11, and 30).

5. At the 30th meeting, on 16 November 1990, the Vice-Chairman of the Committee, following informal consultations, introduced a draft resolution (A/C.5/45/L.5).

6. At the same meeting, the Committee adopted draft resolution A/C.5/45/L.5 without a vote (see para. 7).

1/ Official Records of the General Assembly, Forty-fifth Session, Supplement No. 5 (A/45/5 vols. I (and Corr.1 and 2), II and III).

2/ Ibid., Supplement No. 5A (A/45/5/Add.1).

3/ Ibid., Supplement No. 5B (A/45/5/Add.2 and Corr.1).

4/ Ibid., Supplement No. 5C (A/45/5/Add.3).

5/ Ibid., Supplement No. 5D (A/45/5/Add.4).

6/ Ibid., Supplement No. 5E (A/45/5/Add.5).

7/ Ibid., Supplement No. 5F (A/45/5/Add.6 and Corr.1).

8/ Ibid., Supplement No. 5G (A/45/5/Add.7).

9/ Ibid., Supplement No. 5H (A/45/5/Add.8 and Corr.1).

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RECOMMENDATION OF THE FIFTH COMMITTEE

7. The Fifth Committee recommends to the General Assembly the adoption of the following draft resolution:

FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS
OF THE BOARD OF AUDITORSThe General Assembly,

Having considered the financial reports and audited financial statements for the biennium ended 31 December 1989 of the United Nations, 10/ including the International Trade Centre 11/ and the United Nations University, 12/ the United Nations Children's Fund, 13/ the United Nations Environment Programme 14/ and the United Nations Habitat and Human Settlements Foundation, 15/ for the year ended 31 December 1989 the United Nations Development Programme, 16/ the United Nations Population Fund, 17/ the voluntary funds administered by the United Nations High Commissioner for Refugees, 18/ the United Nations Relief and Works Agency for Palestine Refugees in the Near East, 19/ and the United Nations Institute for Training and Research, 20/ the report of the Advisory Committee on Administrative and Budgetary Questions 21/ and the concise summary of the principal findings and conclusions for remedial action of the Board of Auditors, 22/

10/ Official Records of the General Assembly, Forty-fifth Session, Supplement No. 5 (A/45/5), vols. I-III and *ibid.*, A/45/5 (vol.I)/Corr.1 and 2.

11/ *Ibid.*, Supplement No. 5, (A/45/5), vol. II.

12/ *Ibid.*, vol. III.

13/ *Ibid.*, Supplement No. 5B and corrigendum (A/45/5/Add.2 and Corr.1).

14/ *Ibid.*, Supplement No. 5F and corrigendum (A/45/5/Add.6 and Corr.1).

15/ *Ibid.*, Supplement No. 5H and corrigendum (A/45/5/Add.8 and Corr.1).

16/ *Ibid.*, Supplement No. 5A (A/45/5/Add.1).

17/ *Ibid.*, Supplement No. 5G (A/45/5/Add.7).

18/ *Ibid.*, Supplement No. 5E (A/45/5/Add.5).

19/ *Ibid.*, Supplement No. 5C (A/45/5/Add.3).

20/ *Ibid.*, Supplement No. 5D (A/45/5/Add.4).

21/ See A/45/570 and Corr.1.

22/ See A/45/457, annex.

Recognizing the progress made in the implementation of General Assembly resolution 44/183 of 19 December 1989,

Noting with appreciation the steps taken by executive heads and governing bodies of the United Nations organizations and programmes to give appropriate consideration and attention to the audit reports,

Taking into consideration the views expressed by delegations, by the Board of Auditors, by the Advisory Committee on Administrative and Budgetary Questions and by representatives of the United Nations organizations and programmes during the debate in the Fifth Committee on this item, and the widely expressed support for measures to improve the efficiency, management, financial accountability and budgetary control of the United Nations organizations and programmes concerned,

Noting with concern that the Board of Auditors, for the reasons stated in its reports, issued qualified audit opinions on the financial statements of the United Nations, the United Nations Development Programme and the United Nations Population Fund, and also issued a qualified audit opinion on compliance with the financial regulations and legislative authority on the transactions of the United Nations Institute for Training and Research,

Noting the efforts by a number of United Nations organizations and programmes to improve the presentation and format of financial statements and the accounting policies followed,

1. Accepts the financial reports and audited financial statements and the audit opinions and reports of the Board of Auditors regarding the aforementioned organizations;

2. Requests the governing bodies of the United Nations Development Programme and the United Nations Population Fund to require the executive heads concerned:

(a) To intensify their efforts to correct or improve the conditions that gave rise to the qualification of audit opinions of the Board of Auditors;

(b) To issue and implement comprehensive and specific guidelines in order to delineate appropriately programme expenditure, programme support and administrative expenditures;

3. Takes note of the recommendation, contained in paragraph 52 of the report of the Advisory Committee on Administrative and Budgetary Questions, 21/ and requests the United Nations Children's Fund and all relevant parties, in considering the implementation of the recommendation, to take fully into account the divergent views expressed by Member States in the Fifth Committee in this regard;

4. Endorses all other recommendations and observations of the Advisory Committee on Administrative and Budgetary Questions and approves all of the recommendations and observations of the Board of Auditors subject to the provisions of the present resolution, taking into account the views expressed by Member States in the Fifth Committee;

5. Requests the Panel of External Auditors to submit to the General Assembly at its forty-sixth session, through the Administrative Committee on Co-ordination and the Advisory Committee on Administrative and Budgetary Questions, an interim study on concrete issues to be resolved through the development of appropriate accounting principles and standards for consistent application in the United Nations system, taking into account the feasibility and benefits of such principles, as well as the major problems to be addressed in this regard;

6. Approves the changes in the financial procedures of the United Nations Development Programme, as recommended by the Governing Council of the Programme in its decision 90/48, 23/ and the United Nations Population Fund, as recommended by the Governing Council in its decision 90/36; 23/

7. Decides that the reporting procedures, including those regarding substantive and management issues, that apply to United Nations organizations and programmes audited on a biennial basis shall also apply to the United Nations Children's Fund;

8. Invites the Board of Auditors to issue a special report for United Nations organizations audited on a biennial basis for the first year of each biennium through the Advisory Committee on Administrative and Budgetary Questions, if in the opinion of the Board there are matters that need to be brought to the attention of the governing bodies and/or the General Assembly;

9. Requests the Secretary-General to include in the proposed programme budget for 1992-1993 resources for the Board of Auditors corresponding to its work-load and adequate to carry out its functions in accordance with the financial regulations, taking into account all relevant decisions of the General Assembly, including those relating to revised reporting procedures approved for the United Nations Development Programme, the United Nations Population Fund and the United Nations Children's Fund;

10. Expresses its concern with regard to the findings of the Board of Auditors that procurement procedures are not being fully complied with, requests the administrations involved to take immediate action to correct this problem, and invites the Administrative Committee on Administrative and Budgetary Questions to monitor the action taken;

23/ Official Records of the Economic and Social Council, 1990, Supplement No. 9 (E/1990/29), annex I.

11. Welcomes the intention of the Secretary-General to renegotiate the existing arrangements for common and joint services at the Vienna International Centre and requests the governing bodies and the executive heads of the United Nations Industrial Development Organization and the International Atomic Energy Agency to co-operate fully with him in this process;

12. Requests the Secretary-General to discuss with the executive heads of the United Nations Industrial Development Organization and the International Atomic Energy Agency the problem of compensation for the excessive costs charged by these organizations to the United Nations Office at Vienna for the majority of existing joint and common services at the Vienna International Centre;

13. Requests the Secretary-General and the executive heads of United Nations organizations and programmes:

(a) To submit to their respective governing bodies, as well as to the General Assembly at its forty-sixth session, detailed progress reports on steps taken to implement previous recommendations of the Board of Auditors and the related recommendations of the Advisory Committee on Administrative and Budgetary Questions and to explain if any of those recommendations have not yet been implemented, and requests the Board and the Committee to evaluate the efficacy of those measures, and to report thereon to the General Assembly at its forty-sixth session;

(b) To consider, in consultation with the Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions, effective measures to facilitate reporting by staff members on a confidential basis of any inappropriate use of the resources of a United Nations organization or programme, and to report to the General Assembly in this regard at its forty-sixth session;

(c) To implement stringent inventory controls on non-expendable property and to report on measures taken in this regard to the General Assembly at its forty-sixth session;

(d) To institute without delay more effective control on the payment of all allowances and benefits to staff members and to report on measures taken in this regard to the General Assembly at its forty-sixth session;

14. Reaffirms the importance of strict compliance with financial regulations and rules on the subject of unliquidated obligations, and requests the Secretary-General, in the light of his experience in implementing the new budget process and in the context of the recommendations of the Board of Auditors, to analyse outstanding issues on this subject and to submit a thorough report to the General Assembly at its forty-sixth session;

15. Expresses appreciation to the Secretary-General for the steps taken to eliminate abuses in the payment of income tax reimbursements, and requests him to continue efforts to recover outstanding excess income tax reimbursements;

16. Urges the executive heads of other organizations and programmes to investigate possible abuses in the payment of income tax reimbursements to their

staff members and to report on efforts taken in this regard to the General Assembly at its forty-sixth session;

17. Requests the Board of Auditors to ensure regular audit coverage of all extrabudgetary expenditures, including the various trust funds managed by the Secretary-General or the executive heads of United Nations organizations and programmes;

18. Requests the Commissioner-General of the United Nations Relief and Works Agency for Palestine Refugees in the Near East to report to the General Assembly at its forty-sixth session on the measures taken by the Agency to rectify the shortcomings identified by the audit of the Area Staff Provident Fund;

19. Invites the governing bodies of organizations and programmes for which audited financial statements have been considered by the General Assembly to ensure that full consideration is given to the reports of the Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions and the comments made thereon in the Fifth Committee with a view to taking appropriate remedial measures;

20. Requests the executive heads of the United Nations organizations and programmes to ensure that expenditures do not exceed the level of funds provided under allotments, in accordance with the financial rules, and to enforce existing disciplinary measures with a view to enhancing accountability and budgetary discipline;

21. Requests the Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions to continue to cover, in their review of organizations and programmes, including peace-keeping operations, the areas relating to the efficiency and effectiveness of the financial procedures and controls, the accounting system and related administrative and management aspects in accordance with regulation 12.5 of the Financial Regulations of the United Nations and to recommend measures, as appropriate, to strengthen financial and management controls and to standardize the financial reporting of the organizations;

22. Recommends that all future reports of the Board of Auditors continue to include separate sections that contain a summary of recommendations for corrective action to be taken by the United Nations organizations and programmes concerned, with an indication of relative urgency and a timetable for remedial action;

23. Encourages the Board of Auditors to carry out its audits in a comprehensive manner in response to paragraph 13 of General Assembly resolution 44/183;

24. Welcomes the review of the Board of Auditors of the liquidity positions of United Nations organizations, and requests the board to conduct a further review, bearing in mind that the information should be presented in a standardized manner;

25. Recommends that the Board of Auditors continue to submit to the General Assembly a concise document summarizing its principal findings, conclusions and recommendations of common interest, classified by audit area and, where appropriate, identifying the audited organization.
