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AND REPORTS OF THE BOARD OF AUDITORS****General accounting framework for financial statements****Report of the Secretary-General****Introduction**

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1. In paragraph 14 of General Assembly resolution **44/183** of 19 December 1989, the Assembly requested the Secretary-General and the executive heads of the United Nations organisations and programmes concerned, in consultation with the Board of Auditors, to develop further, with a view to prompt completion, the general accounting framework within which financial statements may be prepared, having regard to the relevant financial regulations and rules and also to generally accepted accounting principles, and to report thereon to the General Assembly at its forty-fifth session.

2. General Assembly resolution **44/183** is an outgrowth of Assembly resolution **43/216** of 21 December 1988, wherein the Secretary-General was requested to explore the possibility of standardising the presentation and format of financial statements and accounting policies of all audited organisations and programmes. In response to that request, the General Assembly had before it, at its forty-fourth session, a report of the Secretary-General (A/44/537), in which those issues were addressed.

3. In the report of the Secretary-General, it was noted that the Board of Auditors considered the accounts of 12 different United Nations organisations and programmes, including the Joint Staff Pension Fund. As a result of specific administrative arrangements approved by the General Assembly for many of those bodies, including responsibility for maintenance and presentation of accounts, the accounts of 9 of the 12 organisations and programmes are transmitted to the Board of Auditors by officials other than the Secretary-General.

4. The report included a comparative analysis of the presentation and format of the financial statements of those organizations and programmes. It was noted that, for the most part, each organization presented its accounts in accordance with an agreement concluded by the Administrative Committee on Co-ordination, which outlined a desirable form of presentation of financial statements, based on the general principles of clarity, simplicity, meaningfulness and full disclosure. While the basic contents of the financial statements of each organisation are mandated by their respective financial regulations and rules, the provision of additional information in the financial statements is, to a large extent, a matter of judgement to be exercised by the executive head in the context of the need for disclosure of significant financial information, the specific observations of the Board of Auditors and the wishes of the legislative body concerned. Notwithstanding these differences, it was concluded in the report that the general framework within which financial statements were prepared was already common to a large extent, and that further work in this area could concentrate on further development of this general accounting framework.

5. During the discussion of the report at the forty-fourth session of the General Assembly, a number of comments were made regarding the need for clarity and conciseness in the presentation of financial information. While differences were noted in the nature and content of financial statements of the respective organizations and programmes, the view was expressed that more should be done to achieve the objectives of clarity, simplicity, meaningfulness and full disclosure, and that accounting policies themselves should be harmonised to the extent possible.

Developments since the forty-fourth session

6. General Assembly resolution 44/183 was adopted only a few days before the end of the financial year or biennium. As a result, most organisations and programmes had already determined the nature of their financial statement presentations, and had issued internal instructions accordingly. This situation limited the opportunity for a co-ordinated response to the resolution among the various programmes in the context of financial statement presentation for the year 1989 or the biennium 1988-1989. None the less, certain changes in presentation may be noted in the financial statements that have been submitted to the General Assembly at its current session. Among those are the following:

(a) United Nations

- (i) The financial report of the Secretary-General was completely overhauled, resulting in a document designed to give an overview of United Nations finances under each of the major headings involved (i.e. regular budget, peace-keeping, technical CO-Operation, trust funds and programme support). The report was issued, in advance of the audited financial statements, on 30 May;
- (ii) The statements and schedules relating to regular budget expenditures were streamlined and presented in a format compatible with budgetary submissions;

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(iii) More complete information was given than heretofore in respect of the six largest trust funds, all of which had income for the biennium in excess of \$10 million (i.e. the Afghanistan Emergency Trust Fund, the United Nations Fund for Drug Abuse Control, the Kampuchean Emergency Trust Fund, the Trust Fund for Disaster Relief Assistance, the United Nations Educational and Training Programme for Southern Africa and the Trust Fund for the Institute for Namibia);

(iv) The addition of four new peace-keeping operations during the biennium required the presentation of additional statements and schedules in order to reflect their respective financial results.

(b) United Nations Development Programme

(i) Statements and schedules relating to the UNDP account have been grouped together and shown separately from the statements and schedules of the trust funds administered by UNDP, thus providing for a more orderly and coherent presentation;

(ii) More complete information was provided as to the nature of expenditure and funds transfers relating to voluntary contributions and contributions to local office costs,

(c) United Nations Children's Fund

The UNICEF statement of cash flows and wider scope of disclosure with regard to the Greeting Card Operation accounts provided more informative financial statements in 1989. During the same year, a Capital Assets Fund recording UNICEF capital assets was established and reflected in a separate statement.

7. In addition to changes already introduced, as noted above, certain initiatives concerning the presentation of financial statements are in progress. For example, there is a proposal under consideration that would change the submission of the accounts of the United Nations Relief and Works Agency for Palestine Refugees in the Near East from an annual to a biennial basis.

8. Other areas in which there is scope for harmonization and standardization in presentation will be the subject of suggestion⁶ from the Secretary-General to the programme managers concerned in the context of planning financial statement preparation for the year 1990 or the biennium 1990-1991. These suggestions will be aimed at removing those remaining anomalies in presentation which were identified in the Secretary-General's report to the General Assembly at its forty-fourth session.

9. With regard to substantive issues of accounting policy where differences of approach may still exist between organizations and programmes of the United Nations, the developmental work that is currently under way in the context of the Integrated Management Information System (IMIS) will provide an opportunity for further review and harmonization. While decisions remain to be taken as to the extent to which certain programmes (e.g. the International Trade Centre) will

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participate in IMIS, the analysis of accounting policy and procedure being undertaken in the context of IMIS design may be expected to focus sharp attention on remaining differences.

10. A comparative analysis of accounting policies between the organizations and programmes reveals that the differences that will require examination in the context of IMIS design include matters regarding revenue recognition, the nature and extent of operational reserves, and the accounting treatment of deferred charges. The Secretary-General intends to consult with the programme managers concerned and with the Board of Auditors in order to determine to what extent such differences can be eliminated in the interest of consistency and standardization.
