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SUMMARY RECORD OF THE 9th MEETING

Chairman:

Mr. MAYCOCK

(Barbados)

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

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The meeting was called to order at 3.20 p.m.

AGENDA ITEM 116: FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS (continued) (A/45/5 and Corr.1, vols. I, II and III, and Add.1, Add.2 and Corr.1, Add.3-5, Add.6 and Corr.1, Add.7 and Add.8 and Corr.1, A/45/457, A/45/509, A/45/537 and A/45/570 and Corr.1)

1. Mr. GROSSMAN (United States of America) said that the excellent work of the Board of Auditors would be further improved if the organizations of the United Nations system adopted more uniform and transparent programming, budgeting and auditing procedures. Owing to the ever-evolving nature of the United Nations system, Member States, auditors and, in some cases, Administrations themselves did not fully understand or could not readily explain the content of financial documents and programmes.

2. One way to increase understanding of United Nations programmes and budgets would be to standardize financial reporting systems. That would simplify analysis of programmes and budgets, identify instances of duplication and overlap, facilitate decisions as to which agency should have the pre-eminent role in implementing new initiatives, and reveal inefficiency and bureaucratic excesses by better distinguishing between operating and programme expenses. The Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions (ACABQ) agreed on the need for standardization. In that connection his delegation endorsed the Advisory Committee's recommendation that the General Assembly should request the Panel of External Auditors to commission a study on standardization, perhaps utilizing the services of the International Accounting Standards Committee. His delegation intended to seek approval for inclusion of the recommendation in the Fifth Committee's draft resolution.

3. The auditors had once again qualified the financial statements of the United Nations Population Fund (UNFPA) and the United Nations Development Programme (UNDP), since their audited accounts continued to reveal numerous shortcomings, although none appeared to be extremely serious. While the auditors had issued unqualified opinions in respect of the other financial statements, that did not suggest the absence of financial management problems in the United Nations Children's Fund (UNICEF), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and the Office of the United Nations High Commissioner for Refugees (UNHCR).

4. A major reason for the qualification for the fourth consecutive year of the audit of the accounts of UNFPA (A/45/5/Add.7) was the lack of audited status-of-funds statements from executing agencies. The Administration had given repeated assurances that it would solve that problem, but the report contained little evidence of progress. In fact, audit certificates remained outstanding from all United Nations executing agencies with the exception of the World Health Organization (WHO). The same was true, although to a lesser extent, of UNFPA projects executed by Governments and non-governmental organizations, which had submitted audit statements in respect of only approximately 11 and 5 per cent,

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respectively, of their programme expenditures on projects. The failure to comply with audit procedures raised doubts as to the advisability of putting a greater share of UNFPA resources at the disposal of those executing agencies.

5. The absence of current documentation regarding the level of expenditures incurred by Governments against advances meant that the Board had been unable to assess the reasonableness of the balance of operating funds provided to Governments. That situation could result in serious mismanagement of UNFPA funds. With regard to the two meetings held in the Netherlands in 1989, which, in the view of the auditors, should have been charged to the UNFPA administrative budget rather than having been classified as programme expenditures, his delegation shared the auditors' concerns regarding the benefits of those meetings and did not consider the Administration's responses adequate.

6. With regard to the accounts of UNDP (A/45/5/Add.1), while the auditors had issued their fourth consecutive qualified opinion, there was evidence of progress in resolving many of the shortcomings in financial management and only two of the nine grounds for the Board's qualification in 1987 remained unresolved. The problem of the lack of audited financial statements in respect of expenditures by some executing agencies and Governments continued, although the situation had improved slightly in the case of Governments. He trusted that the change to biennial auditing of UNDP accounts with the biennium 1990-1991 and full implementation of the measures adopted by the Governing Council in 1988 would resolve the problem. Further, while significant progress had been made in correcting lapses in financial management control, the increase in the ratio of operating costs to total expenditure necessitated the inclusion in the budget for 1992-1993 of specific measures to address that problem. The practice of charging the costs of temporary personnel filling established posts against the established posts line item should be discontinued, since otherwise the true costs of temporary personnel would not be reflected in UNDP's accounts.

7. The large number of trust funds and sub-trust funds administered by UNDP created a considerable amount of additional work and reduced management efficiency. His delegation noted with concern that UNDP's Financial Regulations and Rules, which stipulated that trust funds should be accepted only on a fully-funded basis and that UNDP should enter into commitments only when it had received sufficient funds, apparently did not apply to sub-trust funds.

8. The insufficient number of replies from executing agencies and field offices to the questionnaire on a two-year project budget cycle did not permit any assessment of the advantages and disadvantages of the two-year cycle or any definitive conclusions. The Board of Auditors should continue to monitor the results of the new procedure.

9. The recurring nature of many of the deficiencies in personnel management at UNDP suggested the need for a reorganization of existing administrative arrangements. Mention should be made of the large number of project-funded personnel at headquarters, shortcomings in hiring practices for consultants and the

(Mr. Grossman, United States)

use of special service agreements, and the Administration's reluctance to undertake criminal proceedings against staff members found guilty of fraud. A clear policy favouring the use of legal measures would act as a deterrent. His delegation did not believe that the privileges and immunities extended to United Nations staff members prevented the use of criminal prosecution in cases of serious fraud.

10. With regard to the report on the accounts of the United Nations (A/45/5), his delegation wished to comment on the efforts made by the former Controller, Mr. Gómez, to strengthen financial management. Nevertheless, further steps were necessary to reduce the number of transfers between budget sections, expenditures in excess of allotments and the carrying forward of unliquidated obligations. Many of those problems would doubtless be eliminated once the integrated management information system was fully operational. It was also possible that improved data-processing systems might eliminate the problems of apportioning costs for common services at Vienna. In the mean time, the Administration should carefully analyse the current methodology for apportionment of such costs so that the amount financed by the regular budget of the United Nations was not excessive in relation to services provided to regular budget programmes.

11. With regard to the financial report on UNICEF (A/45/5/Add.2), the substantial increase in the Fund's resources called for an expansion of its programmes and services to women and children, without a concomitant expansion in administrative operations. Otherwise, there was a risk that some donors, particularly those facing substantial budgetary problems, might reduce their contributions.

12. The conclusion drawn from the fact that the growth in UNICEF staff had not kept pace with the growth in programmes was questionable. The analysis of the situation by the Board of Auditors had not taken into account such factors as the impact of inflation on the real value of UNICEF income, and efficiency gains resulting from substantial investments in labour-saving devices. Rectification of the numerous shortcomings in programme delivery identified by the Board would strengthen UNICEF's field operations, and better management of staff could lead to productivity gains. There was also excessive recourse to consultants, particularly in the field offices, although it was his suspicion that there were also a large number of consultants working at Headquarters. The Administration should present estimates of resources allocated to consultants and other categories of short-term staff from the administrative and programme budgets, together with information on the distribution of those resources between Headquarters and field offices.

13. The substantial resources available had apparently resulted in severe weaknesses in cash management. For example, UNICEF continued to grant advances to Governments without having seen the reports from the field offices on the utilization of previous advances. As a result, it had not been possible to determine the total amount of advances paid out to Governments. In view of the potential for fraud and abuse, the Administration must take immediate steps to correct that problem. Moreover, despite the fact that the Executive Board had approved measures to place strict limits on the use of general resources for projects financed from supplementary funds, the relevant guidelines were

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interpreted too broadly. At its next session the Executive Board should consider the possibility of adopting more restrictive guidelines. Also questionable was the use of general resources to build housing for the project staff of a Government. His delegation wished to know whether Executive Board approval had been sought for those construction projects, whether the rents charged would enable the related costs to be fully recovered, and whether there were any other cases where UNICEF resources had been used for the construction or rental of housing for locally recruited staff. His delegation would also be grateful for an explanation of the methodology used by the Administration to determine the level of programme implementation, which in some cases apparently did not reflect the true situation.

14. As the largest contributor to UNRWA, the United States was greatly concerned by the continuing problems in the management of the Area Staff Provident Fund, which, to judge by the conclusions reached by the Board of Auditors in its report (A/45/5/Add.3), suggested the possibility of a financial disaster. The Commissioner-General might consider the possibility of replacing those currently responsible for administration and management of the Fund's resources, particularly the global custodian. It was to be hoped that the UNRWA representative would report on the measures taken by the Administration to eliminate the shortcomings and abuses identified by the Board.

15. The recommendation made by the Board of Auditors in its report on UNHCR (A/45/5/Add.5) regarding the need for a guaranteed source of income for the UNHCR programmes also gave rise to concern. A payment method based on assessments for the general programmes was neither necessary nor fiscally wise. It would be better to attempt to raise funds from non-traditional sources, both governmental and non-governmental. In addition, the Administration should exercise stricter control over its funds and recover costs for services and programmes.

16. Virtually all the audits revealed a lack of proper controls over inventory. All the organizations must take immediate action to institute strict control measures and to develop, together with the Board of Auditors and ACABQ, new procedures and guidelines to ensure that all non-expendable property was managed properly. His delegation was concerned at the continued failure of some audited organizations to respond positively to the General Assembly's request for detailed written reports on implementation of the recommendations of the Board and ACABQ. The continued lack of interest in providing Member States with useful information on a timely basis on measures taken to implement such recommendations was regrettable.

17. Mr. DANKWA (Ghana), referring to the report of the Board of Auditors on the United Nations (A/45/5), said that the way in which the request made by the General Assembly in operative paragraph 24 of resolution 44/183 had been dealt with meant that it was practically impossible for the Assembly to concentrate on the question of implementation of rule 114.1 of the Financial Rules. With regard to the qualified opinions expressed by the Board, he urged the organizations to try to rectify the situations that had given rise to the qualifications. He pointed out that, according to the report, expenditures continued to exceed both appropriations

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and allotments, and that that practice must be reduced to the minimum. While it was true that rules on allotment of credits were for internal use, they must be regarded as complementing the Financial Regulations and Rules and must thus be scrupulously respected. With regard to the conversion of unliquidated obligations to accounts payable, which had been questioned by the Board, unliquidated obligations must be considered from two points of view. If their cancellation had legal implications, they should not be cancelled but should be recorded separately in the financial statements as accounts payable. On the other hand, if the obligations had lapsed, it would be necessary to terminate the programme to which they referred or, failing that, to renew the relevant legislative mandate. Cash management was a question for serious concern, particularly in the case of the United Nations Interim Force in Lebanon (UNIFIL), where cash was administered as though accounting standards did not exist. While it was true that account must be taken of the particular circumstances obtaining in each place, the rules must not be broken.

18. With regard to management issues, the practice of hiring retired staff members should be reviewed, bearing in mind the regulations on the matter. In that regard, he also wondered why the Economic Commission for Africa (ECA) resorted to the practice of redeploying staff without reference to the staffing tables approved by the General Assembly, and was of the view that the granting to a staff member whose contract had been terminated of entitlements higher than those he would have received had he continued to work until the normal retirement age, which the Board of Auditors had denounced, must not constitute a precedent. He also agreed with the Board that the practice of making unauthorized overtime payments must cease, although he did not agree that an attempt should be made to recover those payments, since their beneficiaries had merely followed established practice.

19. He welcomed the removal of the qualification on the UNDP 1988 financial statements relating to cash-counterpart contributions. However, he regretted the qualifications on the 1989 statements relating to programme expenditure incurred by the United Nations executing agencies. He hoped that the biennial focus would allow the agencies sufficient time to present their reports to UNDP. He was also pleased to observe the improvements in the procedures applied in government-executed programmes. All those observations were also applicable to UNFPA, which should establish an appropriate mechanism to resolve the problem of the large proportion of outstanding advances.

20. UNICEF was in the unique situation of having excess liquidity. That fact could be prejudicial to it since some donors might decide to change the level of their contributions. UNICEF should stop giving advances to Governments which had not given due account of the use to which previous advances had been put and should set up a mechanism by which such information could be obtained from Governments.

21. With respect to UNICEF construction projects, although it shared the view expressed by the Board in paragraph 98 of its report (A/45/5/Add.2) that UNICEF should refrain from contracting huge projects where counterpart contributions might not be forthcoming, his delegation considered that the problems encountered by the

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field offices must be kept in mind and that programmes which were of direct benefit to women and children should not be cut simply because no counterpart funds were available.

22. His delegation stressed the need for strict compliance with the memorandum of understanding between UNHCR and the World Food Programme. With regard to the failure to report missing property items promptly, it was hard to believe that the Administration had stated by way of explanation that delays in reporting had occurred because, in relation to the total value of UNHCR property, the loss had not been significant (A/45/5/Add.5, para. 76). If UNHCR was not concerned about the loss of small amounts, perhaps it should not be entrusted with large amounts.

23. With respect to the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), his delegation endorsed the view of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) that the small unit recently established by the Agency for the administrative needs of the Area Staff Provident Fund was necessary, since it considered that the administration and management of the Fund should be independent of those same functions in UNRWA. While sharing the view of ACABQ on the need to establish an investment advisory committee composed of members with the appropriate expertise, he would appreciate clarification on the relationship between that committee and the Provident Fund Advisory Committee. It was above all necessary to avoid any duplication of functions. Thus, if the Provident Fund Advisory Committee was unable to provide expert advisory services, its composition should be altered, rather than creating another advisory committee. In any case, he would welcome comments from the Chairman of ACABQ on that point.

24. Mr. INOMATA (Japan) said that the financial accountability of the organs and organizations of the United Nations system must be ensured in order for Member States to have full confidence in their activities. At a time when Member States were demonstrating a growing commitment to the work of the United Nations, the organs and organizations of the system should continue their efforts to improve their accounting methods and their management and administration procedures, drawing upon the comprehensive auditing procedure entrusted by the General Assembly to the Board of Auditors. In that manner, the United Nations system would be able to ensure that the precious resources provided by Member States would be used in as effective and efficient a manner as possible.

25. The Chairman of the Board of Auditors had rightly stated that the Board's task was to evaluate the economy and efficiency of the programmes of United Nations organizations and, in some measure, to ascertain whether adequate procedures had been established to ensure effective utilization of the resources earmarked for programme implementation. The Board should follow those criteria in carrying out a comprehensive audit of programme effectiveness. Although the Board might not have sufficient expertise or resources to undertake such an audit at the present time, it was nevertheless very important for it to implement the recommendations of the Group of High-level Intergovernmental Experts to Review the Efficiency of the Administrative and Financial Functioning of the United Nations, including

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recommendation 67 (A/41/49), which stated that "there should be increased co-operation between the Joint Inspection Unit and the External Auditors" and that "the External Auditors should, on their part, put greater emphasis on management audits and other areas of importance as required by the legislative organs concerned". The External Auditors should therefore be encouraged to carry out their audits in a comprehensive manner in response to General Assembly resolution 44/183, without questioning the policies established by the General Assembly on the programmes of the organizations.

26. The Panel of External Auditors had pointed out the need to develop appropriate accounting principles and standards and to apply them uniformly to all organizations of the system. In the first place, that was difficult to put into practice, given the different circumstances of the various organizations. In the second place, the basic purpose of applying generally accepted accounting principles to United Nations organizations had yet to be defined, since it was clear that the financial accountability of international organizations could not be established on the basis of the same accounting principles that were used to determine the financial accountability and credit ratings of private enterprises. Accordingly, before commissioning an outside agency to carry out such a study, he wished to request the Panel of External Auditors to submit to the General Assembly, through ACC and ACABQ, a full explanation of the concrete problems which would be resolved by the development of new, generally accepted accounting principles for United Nations organizations, together with its view as to the feasibility and benefits of developing such principles for the entire United Nations system. One of the most important aspects of the study was the development of a general accounting framework for the preparation of the financial statements, which the General Assembly, in its resolution 44/183, had requested of the Secretary-General and the executive heads of United Nations organizations and programmes. Some progress had been achieved to date and it could be hoped that further work by ACC would contribute to facilitating the harmonization and standardization of financial statements, thus enhancing budgetary and administrative co-ordination within the United Nations system.

27. The delegation of Japan concurred fully with the Board's recommendation for strict adherence to the regulation on the transfer of unliquidated obligations from one financial period to another. There was nothing in the new procedures relating to programming and budgeting to prevent the Administration from seeking a reappropriation for any remaining obligations in respect of goods supplied and services rendered in the financial period to which they corresponded. If unliquidated obligations remained a valid charge, they could be transferred from the previous financial period as an obligation against current appropriations, without amending financial regulation 4.4.

28. The concrete case mentioned by the Board on paragraph 63 of its report (A/45/5) did not pertain to obligations to be discharged against goods and services delivered in accordance with financial regulation 4.3, since the printing services in question had not been completed by the end of the previous financial period. Consequently, there was no justification for amending financial regulation 4.4,

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unless the principle on the delivery of goods and services set forth in regulation 4.3 was also amended. Nevertheless, if some unliquidated obligations were to be reappropriated, the important problem remained of how and where their costs were to be charged, and whether they should be accommodated within the overall level of the current appropriations or within the contingency fund. The Administration had been facing that problem since the introduction of the new budgetary process. The Secretariat should therefore submit a thorough analysis of the problem, based on its experience in implementing the new budgetary process and in applying the Financial Regulations and Rules, in particular rules 104.1 to 104.3, 110.6, and 110.9, relating to the review of outstanding obligations.

29. The submission of the audit reports for UNDP and UNFPA on a biennial basis would not lead to any relaxation in the accounting discipline of those organs and should therefore be put into practice without prejudice to the competence of the Board of Auditors to examine their accounts annually if necessary. The objective of the new procedure was to ensure that adequate information was obtained concerning programme expenditures incurred by United Nations executing agencies and that there was adequate auditing of funds disbursed by Governments in their capacity as executing agencies of the projects financed by those bodies. In the past, the Board had issued qualified audit opinions on the accounts of UNDP and UNFPA because it had not received audit confirmation of programme expenditures by the executing agencies on time. It was to be hoped that the adoption of biennial auditing of the financial statements would achieve that goal and would dispel the confusion which arose when those expenditures were not confirmed by audits.

30. With respect to the problems relating to the engagement of research advisors under special service agreements with the World Institute of Development Economics Research (WIDER), the Board recommended, inter alia, that the Institute's Board should examine the feasibility of producing financial regulations and rules which catered to the specific needs of the Institute, in particular the recruitment of and travel arrangements for researchers. The Administration had responded that the question of the services of research advisors was under review along with that of the overall personnel policies and procedures being developed for the University as a whole. Nevertheless, the Board of Auditors retained that recommendation in its summary of recommendations. Since the observations and recommendations of the Board were provided before the Administration had had the opportunity to express its view, the Board should indicate whether it still believed it appropriate for the Institute, as an integral part of the United Nations University, to formulate separate financial regulations and rules. In the opinion of his delegation, the work of the General Assembly would be facilitated by a final recommendation in that respect, after the responses of the Administration had been taken into account.

31. Mr. KABIR (Bangladesh) said that the financial reports and audited financial statements, and reports of the Board of Auditors, deserved careful attention more than ever before, considering the new importance acquired by the United Nations system during the biennium 1988-1989. The biennium had been marked by a resurgence of peace-keeping activity. Four new peace-keeping operations had been initiated and the number of special missions had increased to four. Total expenditure for

(Mr. Kabir, Bangladesh)

the 11 existing peace-keeping operations had increased by 133 per cent. Similarly, the biennium had seen a significant increase in United Nations general trust fund activities and in technical co-operation. However, that growth had not been accompanied by an improvement in the financial situation of the United Nations. In the regular budget, the amount of unpaid assessed contributions had risen from \$353 million to \$461 million, and the sum of \$436 million was owed for peace-keeping operations. It was unfortunate that, at a time when increased demands were being made on the United Nations, shortfalls in the receipt of contributions were causing operational difficulties and that the overall financial situation remained uncertain. It was to be hoped that the situation would be remedied soon through the fulfilment of financial obligations under the Charter.

32. The Board of Auditors had pointed out such weaknesses in the financial and control procedures of the United Nations as expenditures in excess of allotments, excessive obligation of allotments and unrecorded allotment advices. It had also pointed out deficiencies regarding procurement of supplies, non-expendable property and the administration and management of personnel. It was regrettable that the process of bidding for procurement of goods had become the exception rather than the rule. It was also regrettable that the Board had been unable to express an unqualified opinion on the question of programme expenditure incurred by United Nations executing agencies, as the required information had not been made available in time. That was a recurring problem, and it was to be hoped that the new procedure of biennial auditing would correct it.

33. The lack of auditing in the case of Governments-executed projects and the coverage of approximately per cent of expenditure presented a limitation for the expression of an unqualified opinion by the Board regarding UNDP. His delegation was happy to note that the new procedures on accounting for Government-executed programme expenditures, introduced by UNDP in 1989, had led to a considerable increase in the number of disbursement reports by Governments. In that connection he drew attention to General Assembly resolution 44/211, in which appropriate emphasis was placed on government execution of programmes to promote and maximize the utilization of national capacities. The issue of accounting should not be allowed to become an obstacle to the expansion of government execution of programmes. He also agreed with the view that the number of project-funded posts at Headquarters should be kept to a minimum and that full compliance with UNDP Governing Council resolution 86/35 was necessary. He also supported the recommendation of the Board of Auditors that temporary assistance costs should appear as such in the budget and the financial statements, so that those costs were fully revealed to the extent that they were actually incurred.

34. On UNICEF, the report of the Board of Auditors noted that 42 per cent of projects financed through supplementary funds had a low implementation level, and that 6.5 per cent of those projects recorded zero implementation level. With regard to projects funded from general resources, those figures were 24 per cent and 4.5 per cent respectively. It was disturbing to note that the low and zero project deliveries had high concentrations in Asia and Africa, where effective child care was most needed. UNICEF should announce the measures it proposed to adopt to rectify that unhappy situation.

(Mr. Kabir, Bangladesh)

35. The Board's view on the problem of the increase in the work-load attributable to increased operational activities of UNICEF deserved priority attention of the administration of UNICEF. Further improvement was required in procedures for liquidation of cash advances to Governments and in the submission of returns by field offices to UNICEF headquarters. However, transfers of funds to Governments should not be stopped, as that would be a counterproductive measure that would cause suffering to innocent children.

36. The Board of Auditors had issued a qualified opinion on UNFPA for similar reasons, and it was to be hoped that the situation would be rectified in the interest of all concerned. There was a serious problem with respect to accounting, auditing and reporting requirements and procedures regarding programme expenditure executed by intergovernmental institutions and other agencies, including non-governmental organizations. It was hard to understand why UNFPA had not changed the procedures for those institutions, considering that procedures relating to projects executed by Governments had been changed in 1988.

37. While improvement was needed in the field of operating funds provided to Governments, advances should not be withheld; nor should interest be charged to Governments on that portion of the funds advanced which had not been used as programme expenditure. UNFPA should indicate the circumstances in which the costs for the two meetings organized by the Fund had been charged as projects, instead of being charged to the administrative and programme support services budget.

38. Mr. ALI KHAN (Pakistan) said that the financial reports and audited financial statements enabled the Committee to see the state of the finances of the United Nations and its system, and that was a matter of great importance. The delay in distribution of the documentation was frustrating, and the fact that the general debate on the item should be concluding only six days after its introduction was an additional burden for delegations.

39. His delegation was satisfied that the Board of Auditors was carrying out its work in such a way that funds were expended economically and efficiently. That was the function of auditing, which did not extend to questioning the policies established by the General Assembly in relation to its programmes. Such an interpretation would go beyond the scope of the Board's mandate.

40. The delegation of Pakistan was concerned to find that the Board had qualified its audit opinion on the financial status of the United Nations, especially as it referred to unpaid assessed contributions to both the regular budget and to peace-keeping operations. At a time when confidence in the United Nations was increasing, and even the sceptics had discovered its usefulness, it was to be hoped that dues would be paid in accordance with Charter obligations, so that the Organization would receive the unqualified opinion it so richly deserved.

41. Regarding the report of 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), he noted that, in the first

(Mr. Ali Khan, Pakistan)

part, it paraphrased paragraphs 6 and 7 of resolution 44/183 and otherwise contained only a few very broad and general statements. His delegation would have liked to see more detailed reporting in the document.

42. It was regrettable that UNDP, UNFPA and UNICEF were among the bodies on which the Board of Auditors had expressed a qualified opinion. In respect of UNICEF, however, that qualification was not reflected in the opinion of the auditors contained in document A/45/5/Add.2, and some clarification concerning that point would be appreciated. He noted that, in the opinion of the Board, significant improvements had been made since UNDP and UNFPA had introduced new procedures in 1989 to ensure that programme expenditures of executing agencies were properly audited at the end of the year. The Board believed, however, that the proportion of unaudited programme expenditure in relation to total programme expenditure remained too high to allow an unqualified opinion. He trusted that eventually the new procedures would lead to improvement in the situation.

43. On the other hand, the Board stated that UNICEF had reported cash advances to Governments as programme expenditures, whether they had been fully utilized or not, and had distributed expenditures incurred on its Emergency Reserve Fund during the last biennium among general resources programme expenditures in the countries receiving the emergency assistance. Both practices resulted in a distorted picture of programme expenditure.

44. His delegation was also concerned that the Board's review of UNICEF programme execution showed that project delivery could be improved, especially in Asia and Africa. Furthermore, it fully shared the Board's concern that the reallocation of funds among projects should not lead to the neglect of projects in difficult areas.

45. Mr. ETUKET (Uganda) said that he was deeply concerned about the serious flaws referred to in paragraph 14 of the report of ACABQ (A/45/570). Despite the Secretariat's efforts to improve its accounting procedures, serious mistakes were still being made, which gave reason to wonder whether the General Assembly's decisions in that area might be ambiguous and give rise to problems of interpretation. If so, an effort should be made to ensure that the guidelines were clearer and more transparent. As for compliance with the regulations and rules, that was a matter that came within the Secretary-General's sphere of competence.

46. Uganda shared the view of ACABQ that the timely and effective implementation of technical projects was highly important. The administration felt that one of the problems in implementing such projects was a lack of co-operation on the part of the recipient Governments, but in the case of Uganda the problem was broader. As many developing countries knew, part of the problem was the absence of co-ordination and conflicts of interest among executing agencies. Because of that, there were various projects which either were not being implemented or were being implemented at a very slow pace. Furthermore, the tendency towards duplication of work in project delivery meant that Governments were wasting substantial resources. It was to be hoped that organizations and Governments would co-operate and ensure optimum use of resources.

(Mr. Etuket, Uganda)

47. In connection with the audit reports on UNDP, his delegation was concerned that some project-funded staff remained at headquarters. In the case of the developing countries, care must be taken to see that such staff served in the field. There were many examples of projects in the field that were not efficiently implemented because of the lack of UNDP staff. It was to be hoped that when the Governing Council of UNDP considered the budget that matter could be taken up in greater detail.

48. The report of the Board of Auditors on UNICEF (A/45/5/Add.2) indicated the reasons for the low or zero implementation levels of many projects, particularly in African and Asian countries. His delegation concurred fully with ACABQ's comments in paragraph 48 of its report (A/45/570) to the effect that the Administration should increase efforts to correct the situation regarding programme delivery, in particular to low-income countries. In that context, it supported the efforts of the administration of UNICEF to deal with those problems as well as its response to a related question referred to in paragraph 99 of the report of the Board of Auditors. The question concerned expenditure incurred by UNICEF in connection with a construction project for project personnel in a particular country. In that case, Uganda concurred fully with UNICEF's view that it had been necessary to provide housing so as not to delay the implementation and monitoring of project activities. UNICEF did not favour construction activities, save in exceptional cases. If paragraph 99 of the Board's report and paragraph 48 of the report of ACABQ were read together, it was hard to understand the arguments of ACABQ in that regard. Uganda supported the administrative arguments put forward by UNICEF to justify the expenditure and hoped that, in the informal consultations on draft resolutions on the reports of the Board of Auditors, its views would be taken into account.

AGENDA ITEM 125: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS (continued) (A/45/11)

49. Mr. GREGG (Australia), speaking on behalf of Australia, Canada and New Zealand, welcomed the serious attempt of the Committee on Contributions to respond to the concerns raised by a number of delegations, which had focused on the need to minimize increases for the poorer developing countries and the need to maintain stable assessment rates. That view was acceptable to the extent that it did not compromise the principle of capacity to pay, on which the current scale methodology was based. He also welcomed the inclusion in the report of self-explanatory trial scales and urged the Committee on Contributions to make even greater efforts to enhance transparency. It was to be hoped that it would be possible to reach agreement at the current session on a resolution giving the Committee on Contributions a clear and unambiguous mandate that would avoid further methodological complication.

50. The delegations of Australia, Canada and New Zealand fully supported the proposed increase in the low per capita income allowance to \$2,600. That would maintain the limit at roughly the same level in real terms. If approved, the increase would benefit some of the neediest developing countries and the major part

(Mr. Gregg, Australia)

of the burden would be transferred to developed countries. It was important to ensure that the redistribution of assessment points was equitable and in accordance with the principle of capacity to pay. It would also have the beneficial side-effect of reducing the need for mitigation when the next scale was set.

51. For reasons of stability, it would be appropriate to maintain the ten-year statistical base period. Nevertheless, there were legitimate arguments in favour of a shorter period. Perhaps at some stage in the future the Fifth Committee could reach agreement on a compromise solution with a view to better reflecting current capacity to pay.

52. Of the alternative income concepts considered by the Committee on Contributions, only one seemed sufficiently well developed. However, the Committee should be encouraged to continue investigating macro-economic income concepts and conversion rates that could more accurately reflect capacity to pay than debt-adjusted national income.

53. The delegations of Australia, Canada and New Zealand continued to support the scheme of limits because it prevented fluctuations in Member States' assessments. Nevertheless, it was clear from the tables in document A/45/11 that repeated application of the scheme of limits, compounded by mitigation, had led to a number of anomalies. Some countries were paying more than they should and others were paying less. The Committee on Contributions should look further into the problem with a view to recommending ways in which those distortions might gradually be eliminated.

54. The Committee on Contributions had made progress in drawing up a list of factors to be taken into account in mitigation decisions. Although they were somewhat vague, they provided a basis for justifying certain decisions and for limiting the extent to which the different countries benefited from the process, and they could at the same time contribute to reducing the overall level of mitigation. It should not be forgotten that mitigation was not an official element of the methodology but an entirely voluntary process which depended on the generosity of a few Member States that offered to take up additional assessment points. It would not be appropriate, therefore, to set down rigid guidelines. Rather, effort should be concentrated on establishing a short list of technically credible factors which could be readily understood and accepted as a legitimate reason for mitigation. In that connection, the idea of excluding any factor which had already been taken into account in the scale methodology was particularly attractive.

55. Mr. REVENKO (Ukrainian Soviet Socialist Republic) said that the main criterion for determining the scale of assessments was the capacity to pay of Member States. Although most delegations were in favour of retaining the 10-year base period, it should not be idealized and its faults disregarded. The transition from a shorter period to 10 years had been made in the middle of the 1970s, when economic conditions had been different, and difficulties could arise now in determining the new scale. In examining the concept of national income, consideration might be

(Mr. Revenko, Ukrainian SSR)

given to the possibility of utilizing GNP, GDP and modified versions of them both, on the grounds that they were macro-economic indicators, recognized practically world wide, which had been formulated in the 1950s and 1960s after the scale of assessments had first been determined. From the statistical point of view, those indicators would provide more accurate data and would facilitate comparisons between countries. Moreover, the sixth stage in the process of international comparison based on GNP and GDP was being carried out in 1990 and sooner or later the Committee on Contributions would have to take the results of that operation into account.

56. In 1991, the Statistical Commission would be dealing with the System of National Accounts. It might perhaps be appropriate then to work out indicators that could be used by the Committee on Contributions. Attention might be drawn to that possibility in a General Assembly resolution.

57. The application of the system for avoiding excessive variations between successive scales should be supported, but the system must be compatible with the fundamental principle for the calculation of assessments. From time to time it was necessary to revise the low per capita income allowance formula upon determining the percentage change in average per capita income in the different Member States or in a similar indicator for the States as a whole. Lastly, his delegation wished to note that there were serious errors in the statistical data in the annexes to the Russian version of the report of the Committee on Contributions that made the tables less useful.

The meeting rose at 5.35 p.m.