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

Question of unliquidated obligations

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the Secretary-General's report on the question of unliquidated obligations (A/46/404), prepared pursuant to General Assembly resolution 45/235 of 21 December 1990. During its consideration of the report, the Advisory Committee met with representatives of the Secretary-General.
2. In its audit of the accounts of the Organization for the biennium 1988-1989, the Board of Auditors had noted that financial regulations 4.3 and 4.4 had not been complied with in full in respect of certain obligations that had arisen during the preceding biennium. In effect, certain large obligations outstanding at the end of the biennium 1986-1987, which could not be liquidated during the ensuing 12-month period, remained outstanding as at 31 December 1988. These charges were then transferred to accounts payable instead of being cancelled or transferred as an obligation against current appropriations, as required by financial regulation 4.4.
3. In its comments on the report of the Board of Auditors, the Advisory Committee had stated that "a solution to the problem created by the new budgetary process would be for the Administration to submit to the General Assembly an appropriate amendment to financial regulation 4.4".
4. The Advisory Committee recalls that in its resolution 45/235, the General Assembly reaffirmed the importance of strict compliance with financial regulations and rules on the subject of unliquidated obligations, and

requested 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 the subject and to submit a thorough report to the Assembly at its forty-sixth session.

5. In his report (A/46/404, para. 12 (a)), the Secretary-General has proposed that one possible way to resolve the situation would be that, for those projects which have been identified as being of a multi-year nature, appropriated funds should be placed in a separate account, allowing unexpended balances to be carried forward into succeeding bienniums until the projects are completed. The Secretary-General has also proposed that certain contracts, which cannot be fully liquidated within 12 months of the end of the biennium to which they relate, be brought to the attention of the General Assembly which, in turn, could authorize waiving of financial regulation 4.4.

6. However, neither the report nor the additional information supplied orally by the representatives of the Secretary-General during the Committee's consideration of the report provides sufficient analyses as to why it is not possible to discharge valid legal obligations within 12 months following the end of the financial period to which they relate. Until there is a more detailed analysis providing information as to why, advance planning of anticipated cost and duration notwithstanding, certain projects cannot be completed within the projected period, the Advisory Committee, in view of General Assembly resolution 45/235, is unable to support the proposals outlined in the Secretary-General's report.
