



General Assembly

Distr.
GENERAL

A/49/348/Add.1
20 September 1994

ORIGINAL: ENGLISH

Forty-ninth session
Item 107 of the provisional agenda*

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

Implementation of the recommendations of the Board of Auditors

Report of the Secretary-General

Addendum

I. INTRODUCTION

1. In paragraph 7 of its resolution 48/216 B of 23 December 1993, the General Assembly requested the Secretary-General and the executive heads of United Nations organizations and programmes at the same time as the recommendations of the Board of Auditors are submitted to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions, to provide the Assembly with their responses and to indicate measures that would be taken to implement those recommendations, with appropriate timetables.

2. The present report has been prepared in response to the request contained in resolution 48/216 B. For purposes of the report, it has been assumed that all of the recommendations made by the Board of Auditors in its report for the biennium 1992-1993 ¹/ would be approved by the General Assembly at its current session. The recommendations included in the summary of recommendations in paragraph 9 of volume II of the Board's report are addressed in the present report. Information is provided on measures taken or to be taken to implement the pertinent recommendations of the Board, including a timetable where such action has not been completed. Matters raised in the report of the Board of Auditors but not included in the summary of recommendations are addressed in the annex to the present report.

* A/49/150.

3. In preparing the present report, account was also taken of the relevant provisions of General Assembly resolution 47/211 of 23 December 1992, in particular those contained in paragraphs 9, 10 and 12.

4. It should be noted that the Board's recommendations have been transmitted to all peace-keeping missions (hereinafter referred to as missions) for their appropriate action in the implementation of the recommendations.

5. The Department of Peace-keeping Operations has initiated an audit implementation programme to ensure that the Board's recommendations are implemented effectively and in full. In view of the nature of the issues raised by the Board and the responses received to date from some field missions regarding implementation action, it is expected that all recommendations, except where noted to the contrary, should be fully implemented by the end of 1994. Those matters requiring time-consuming follow-up and issues involving legal complications would require more time before the recommendations can be fully implemented.

II. IMPLEMENTATION OF THE RECOMMENDATIONS CONTAINED IN PARAGRAPH 9 OF THE REPORT OF THE BOARD OF AUDITORS

6. The Board's recommendation in paragraph 9 (a) of its report reads as follows:

"To reduce excessive flexibility in the use of the exigency provision in procurement and the awarding of contracts and to provide adequate guidance in decision-making, the following measures should be considered:

"(i) Exigency should be defined through a listing of situations that may be considered as such;

"(ii) As in financial rule 110.19 (h), the nature of the exigency should be documented to provide sufficient evidence to support the decision and to serve as a trail for verification and review".

7. With reference to the recommendation in paragraph 9 (a) (i) of the Board's report, all missions have been requested to submit listings of situations that may be considered as exigency. Based on recommendations emanating from the missions and other offices, a central review will be made to establish an appropriate list. Regarding the recommendation in paragraph 9 (a) (ii) of the Board's report, instructions have been issued to all missions to document the nature of the exigency when invoking the permitted exception, as required by financial rule 110.19 (h). In this way, evidence will be available in support of their decisions and to serve as a trail for audit review and verification.

8. The Board's recommendation in paragraph 9 (b) of its report reads as follows:

"Bids should be adequately evaluated in order to take advantage of value-for-money offers, even if that means splitting the awards".

/...

9. As noted by the Board, all invitations to bid and requests for proposals include a statement that the United Nations reserves the right to split awards in the best interest of the Organization. The Purchase and Transportation Service, Conference Services, systematically evaluates bids and proposals to ensure that the Organization is taking advantage of the most favourable options, including split awards. Missions have been requested to ensure that, when undertaking procurement within their delegated authority, bids are adequately evaluated to take advantage of value-for-money offers, even if that means splitting awards, bearing in mind at the same time that cost advantage must be weighed against operational requirements.

10. In paragraph 9 (c) of its report, the Board recommended that:

"Competitiveness in the award of air chartering contracts, including extensions of existing contracts, should be improved to cater for the growing need for air services in peace-keeping operations".

11. A working group, consisting of representatives of the Department of Peace-keeping Operations, the Purchase and Transportation Service, the Office of Legal Affairs and the Office of Inspections and Investigations (now the Office of Internal Oversight Services), was established to review ways of increasing competitiveness in the award of air chartering contracts and submitted its final report in March 1994. Furthermore, the services of a consultant were engaged to obtain an independent survey of air chartering procedures for peace-keeping forces. Consideration is now being given to the implementation of the consultant's recommendations.

12. The Board's recommendation in paragraph 9 (d) of its report reads as follows:

"Consideration should be given to the submission of financial statements for peace-keeping operations which will encompass all relevant activities to ensure adequate transparency and disclosure".

13. Beginning with the interim unaudited financial statements for 30 June 1994, an annex will be included as an addition to the accounts for peace-keeping operations covered in volume II. That annex will list expenditures for all of the missions funded under section 2 of the United Nations regular budget and for all peace-keeping-related activities funded by specific general trust funds.

14. Also beginning with the interim unaudited financial statements for 30 June 1994, the support account for peace-keeping operations, which has previously been shown as one of the combined special accounts for programme support (statement XII) in volume I of the accounts, will no longer be included in volume I, but will be shown instead as a separate statement in volume II of the accounts.

15. In paragraph 9 (e) of its report, the Board made the following recommendation:

/...

"The Finance Section of UNOSOM should be provided with an appropriate complement of staff to enable it to handle in a more efficient manner the accounting records of the mission".

16. An experienced Chief Finance Officer was assigned to the United Nations Operation in Somalia (UNOSOM) in June 1994. As regards other UNOSOM staff in the finance area, at the time of writing, there were 7 finance officers and 33 support staff. This represents an increase of 3 finance officers and 16 support staff since January 1994. In addition, five finance assistants provided by the Accounts Division were assigned to the mission for periods ranging from two to four months to assist in bringing its financial operations up to date. A resident auditor was also recently appointed to UNOSOM.

17. The recommendation of the Board in paragraph 9 (f) reads as follows:

"All possible steps should be taken by the United Nations with a view to establishing appropriate procedures for reimbursing the Organization for losses of cash and property arising from the fault of military contingents".

18. The Administration agrees with the recommendation. However, as the Board has noted, there is no legal basis at present to permit the United Nations to pursue reimbursement from members of military contingents. Although members of military contingents are international personnel under the authority of the United Nations and subject to the orders of the Force Commander through his chain of command, they none the less remain part of their respective national armed forces, especially for disciplinary purposes. Without a specific agreement between the United Nations and troop-contributing Governments, no compensation may be claimed for losses arising from damages to United Nations property caused by members of military contingents.

19. None the less, the Office of Legal Affairs has been requested to review this matter. It should be noted that, to date, the Organization's experience in attempting to persuade individual Member States to accept responsibility in this regard has not been positive. As the Board acknowledges, ultimately the success of this depends largely on the goodwill of the Member States concerned.

20. With regard to property records maintained at missions, the Board's recommendation in paragraph 9 (g) reads as follows:

"Property records maintained at the missions should be regularly updated with new acquisitions and deletions".

21. Field missions have been reminded about the need to update their property records regularly with new acquisitions and deletions and to take physical inventory counts on non-expendable property once a year in accordance with the procedures set forth in the Field Administration Manual and as recommended by the Board.

22. Arising from the over-procurement of minibuses for the United Nations Transitional Authority in Cambodia (UNTAC), the Board's recommendation in paragraph 9 (h) reads as follows:

/...

"The extensive use of vehicles in peace-keeping operations calls for a more realistic estimation of vehicle requirements to avoid waste".

23. As indicated to the Board, and reflected in paragraphs 94 to 96 of its report, the situation regarding the procurement of 850 minibuses for UNTAC resulted from a communication error rather than a faulty evaluation or overestimation of the needs of the mission. The procurement was planned with care and a clearly defined objective.

24. None the less, the Board's recommendation that a realistic estimation of vehicle requirements should be made in order to avoid the time and money spent in redeploying vehicles to other missions is accepted. Great care is being exercised by the Department of Peace-keeping Operations to ensure that similar situations do not recur.

25. In its review of budgetary control, in paragraph 9 (i) the Board recommended as follows:

"Expenditure monitoring should be improved through effective coordination between Headquarters and the field missions. To the extent possible, sub-allotment advices should be issued prior to incurring expenditures".

26. It should be noted that a review of the timing of the issuance of allotments, based on General Assembly resolutions adopted at its forty-eighth session, has shown that, with few exceptions, allotments were issued within 24 hours of the adoption of the relevant financing resolution. Since allotments cannot be issued prior to a decision by the Assembly, it is possible that, while allotments are issued in a timely manner, the effective date covered by the allotment is earlier than its actual date of issuance. In turn, sub-allotment advices cannot be issued until these allotments have been issued.

27. However, as noted by the Board, steps are already being taken within the Department of Peace-keeping Operations to automate the issuance of sub-allotments to the field missions, which would reduce at least part of the delay. In addition, an automated procurement inventory and assets management system, along with an up-to-date accounting and reporting system, have been implemented. It is anticipated that the implementation of both of these systems will improve efficiency in the reporting of expenditures.

28. The recommendation of the Board in paragraph 9 (j) reads as follows:

"UNPROFOR should take early action to update its bank reconciliations and ensure their regular preparation in future".

29. As noted by the Board in its report, the arrears in the preparation of bank reconciliations have been cleared and these are prepared every month on a regular basis.

30. The Board's recommendation in paragraph 9 (k) reads as follows:

/...

"Measures should be taken to speed up the processing of field missions requisitions referred for advice to the Headquarters Committee on Contracts."

31. This recommendation will be included in the review by a high-level group of experts from selected Member States, which will undertake an overall assessment of the procurement policy of the Organization and related management issues. This review is expected to commence in late September 1994 and to last for a period of approximately 10 weeks.

32. On a related subject in the body of the report, with regard to the United Nations Protection Force (UNPROFOR), the Board also recommended that purchase orders or valid agreements, as appropriate, should in all cases be completed prior to the delivery of goods and services, as required by financial rules 110.22 and 110.17 (g).

33. In this connection, as noted by the Board, the increase in the level of financial authority for procurement at UNPROFOR and the improved reaction time for processing of requisitions have contributed to a significant decline in the incidence of purchase orders being raised ex post facto. None the less, all field missions have been requested to comply with the recommendation that purchase orders should in all cases be completed prior to the delivery of goods and services.

Notes

1/ Official Records of the General Assembly, Forty-ninth Session, Supplement No. 5 (A/49/5).

ANNEX

Recommendation/comments	Actions completed	Actions to be completed	Comments
<p>The Board recommended that cash counts should be performed regularly and at the end of the year and be reconciled with the accounting records. A cash certificate approved by a responsible official should then be signed to confirm the count (para. 53).</p>		<p>Starting at the end of 1994, a physical cash count report will be required of each mission at the end of each calendar year, which will have to be signed by the appropriate financial or administrative officer, reconciled with the accounting records and submitted to the Department of Peace-keeping Operations and the Accounts Division as part of the required closing procedures.</p>	
<p>The Board stated that the inclusion of comparative figures in the financial statements was a generally accepted accounting practice and that fact was emphasized by the adoption by the United Nations of International Accounting Standard 1, which, among other things, required that financial statements should show comparative figures for the preceding period. Comparative figures gave more meaning to the financial statements,</p>		<p>Beginning with the interim unaudited financial statements for 30 June 1994, comparative figures will be included in all the financial statements for peace-keeping operations.</p>	

/...

Recommendation/comments	Actions completed	Actions to be completed	Comments
allowing trends to be identified. The Board therefore recommended that comparative figures should be included in financial statements (para. 57).			
The Board recommended that immediate operational requirement (IOR) requests should be used only when absolutely necessary and should be supported with written justifications (para. 79).	All field missions have been requested to comply with the Board's recommendation.		
The Board noted the increased level of delegation to the field and recommended that that activity should be closely monitored, through performance measures and targets, to ensure that adequate competitive bidding occurred at the local level (para. 81).		This recommendation will be included in the review of procurement issues to be undertaken by the high-level group of experts referred to in paragraph 31 of the present report.	To the extent that a justified increase in the level of delegation of purchasing authority or the widening of the geographical area of local procurement is approved that may reduce the number of IOR requisitions being submitted to Headquarters for processing, closer monitoring will be undertaken by the Field Operations

/...

Recommendation/comments	Actions completed	Actions to be completed	Comments
<p>In view of the difference between chartering and freight forwarding, the Board recommended that a new vessel chartering contract would be more advantageous because it would entail better terms and conditions obtained through bidding (para. 83).</p>	<p>The Administration has expanded the bidding process for ship chartering and forwarding arrangements to include other companies besides the freight forwarding agent. Consultants engaged to review the freight forwarding and ship chartering requirement for the United Nations have produced recommendations that address the concerns of the Board. The recommendations are currently being evaluated and, if adopted, would bring the Organization in line with the practice in the ship chartering industry.</p>		<p>Division to ensure that the field mission strictly follows competitive bidding procedures.</p>

/...

Recommendation/comments	Actions completed	Actions to be completed	Comments
<p>The Board saw the need to seek reasonable compensation as a deterrent to misuse of cash and property and recommended that general guidelines should be established to assess the scale of the required reimbursement (para. 103).</p>		<p>In principle the recommendation is accepted. However, the development of such guidelines on a comprehensive basis is expected to be a complex task and it may not be possible to complete this task before the end of 1994.</p>	
		<p>In the interim, the Office of Legal Affairs has been requested to look into this matter with a view to determining the proper rates of assessment for uniform application by all peace-keeping missions.</p>	
<p>The Board suggested that:</p> <p>(a) The cooperation of the Government of Cambodia and the neighbouring countries should be sought for the arrest and possible prosecution of the 38 drivers who had disappeared with the vehicles;</p> <p>(b) The Property Survey Board should expedite the review of the pending cases to establish responsibility for disappearance of the</p>	<p>Through the Office of the Representative of the Secretary-General in Cambodia, the cooperation of the Government of Cambodia has been sought and received for the arrest and prosecution of the 38 drivers who disappeared with UNTAC vehicles. With the assistance of the Office of Legal Affairs, some legal aspects involved in this matter have now</p>	<p>With regard to the review by the Headquarters Property Survey Board of the pending cases, owing to the number of cases arising from peace-keeping missions in general, it is unlikely that all of the cases will be cleared before the end of 1994.</p> <p>Priority will be given to the review of the case concerning the</p>	

/ . . .

Recommendation/comments	Actions completed	Actions to be completed	Comments
vehicles, especially the four unreleased vehicles that had disappeared from the UNTAC transport yard (para. 124).	been referred to the Cambodian authorities concerned for clarification. This matter continues to be pursued in Phnom Penh by the Representative of the Secretary-General.	four vehicles that disappeared from the UNTAC transport yard. It is hoped that full implementation of the Board's recommendation will be possible by the end of 1995.	
The Board recommended immediate reconciliation of petroleum products delivered to UNPROFOR with payments made on that contract for appropriate action (para. 141).	Reconciliation of the petroleum products delivered to UNPROFOR is in progress. The results of the reconciliation will be submitted to the Board for its information.		
The Board recommended that invoices (payment for petroleum products) should be paid only when duly completed receiving reports had been issued for all deliveries (para. 143).	As the Board has indicated in the report, necessary steps have been taken to ensure that all UNPROFOR invoices are thoroughly checked against deliveries before payment is made.		
The Board recommended compliance by UNOSOM with internal control procedures in procurement, especially the matching of deliveries against invoices prior to payment. Competitive tendering should be	UNOSOM has been instructed to comply with the audit recommendation to adhere to internal control procedures in procurement, and to follow competitive	It is hoped that this recommendation can be fully implemented by mid-1995.	

/...

Recommendation/comments	Actions completed	Actions to be completed	Comments
encouraged when the situation in Somalia returned to normal (para. 162).	tendering procedures when the situation in Somalia returns to normal.		
The Board recommended that expenditures at UNOSOM should be managed within authorized allotments to ensure effective utilization of resources (para. 165).	UNOSOM has been advised to comply strictly with the audit recommendation to ensure effective utilization of resources by staying within authorized allotments. The recent strengthening of the regular finance staff of the mission, coupled with the assistance provided by a task force sent from Headquarters, should contribute to the overall improvement of the situation with regard to the field finance and accounting functions, including budgetary control.	It is hoped that this recommendation can be fully implemented by mid-1995.	
To improve management of military spare parts at UNIFIL, the Board recommended that:			
(a) A new control arrangement involving civilian and military personnel should be instituted with the responsibility for record control assigned to the civilian personnel;	(a) A Budget Cost Control Officer has been appointed, one of whose functions is to scrutinize requisitions from various user units to establish the requirement and		

Recommendation/comments	Actions completed	Actions to be completed	Comments
(b) Requisitions for military-pattern spare parts should be critically reviewed to ensure their current need before funds are committed;	necessity of the request. Requests that are not properly justified are rejected. This measure has produced a marked improvement in the requisitions submitted;		
(c) A competent body should be assigned responsibility to verify, review and monitor the minimum and maximum stock levels of all military-pattern spare parts to avoid overstocking (para. 174).	(b) UNIPIL is updating its computerized records of all vehicle spare parts, their values, categories and reorder levels;		
	(c) The Chief Transport Officer is now designated as certifying officer for the spare parts budget line, which covers spare parts for military-pattern vehicles. In this way, the civilian administration will bridge the gap that existed before owing to the lack of institutional memory regarding stores for spare parts within the military administration.		

/...

Recommendation/comments	Actions completed	Actions to be completed	Comments
The Board recommended regular and aggressive follow-up by field missions on the collection of all surcharges and contributions due from other parties (para. 183).	Field missions have been requested to advise the Field Operations Division of the status of the situation with regard to the collection of surcharges and contributions due from other parties.	In view of the difficulties encountered by some missions in collecting surcharges owed to the United Nations, the end of 1995 is considered to be a realistic target for full implementation of the Board's recommendation.	