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**UNITED NATIONS INSTITUTE FOR TRAINING
AND RESEARCH**

**FINANCIAL REPORT AND ACCOUNTS
for the year ended 31 December 1972
and
REPORT OF THE BOARD OF AUDITORS**

GENERAL ASSEMBLY

OFFICIAL RECORDS: TWENTY-EIGHTH SESSION

SUPPLEMENT No. 7D (A/9007/Add.4)

UNITED NATIONS

**UNITED NATIONS INSTITUTE FOR TRAINING
AND RESEARCH**

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UNITED NATIONS

New York, 1973

NOTE

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LETTERS OF TRANSMITTAL

11 May 1973

Sir,

Pursuant to financial regulation 11.4, I have the honour to submit the annual accounts of the United Nations Institute for Training and Research as at 31 December 1972, which I hereby approve. The financial statements have been prepared and certified as correct by the Acting Head of the Office of Financial Services.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

Accept, Sir, the assurances of my highest consideration.

(Signed) Davidson NICOL
Executive Director of the United Nations
Institute for Training and Research

The Chairman of the Board of Auditors
New York

22 June 1973

Sir,

I have the honour to transmit to you the financial statements of the United Nations Institute for Training and Research for the year ended 31 December 1972 which were submitted by the Executive Director of the United Nations Institute for Training and Research. These statements have been examined and certified by the Board of Auditors.

In addition to the above, I have the honour to present the report of the Board with respect to the accounts of the United Nations Institute for Training and Research for the year ended 31 December 1972.

Accept, Sir, the assurances of my highest consideration.

(Signed) J. E. ESCALLON O.
Chairman
Board of Auditors

The President of the General Assembly
of the United Nations
New York

I. FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 1972

1. The Executive Director has the honour to submit herewith the financial report of the United Nations Institute for Training and Research for the year ended 31 December 1972, together with the audited accounts for the year ended 31 December 1972 comprising three statements supported by three schedules. The report is presented in accordance with subparagraph 3 (i) of article IV of the statute of the Institute, enacted in November 1965 and amended in March 1967.

2. Statement I shows that the combined assets for the General Fund and the Special Purpose Grants Fund amounted to \$2 673 800 at 31 December 1972 and included, inter alia, \$570 319 in contributions receivable from Governments and \$465 000 in capital assets donated to the Institute. The latter were financed from funds donated in 1964 for the specific purpose of enabling the Secretary-General to acquire the building in New York City that houses the Institute and the leasehold to secure the land on which it stands at a cost of \$465 000. It will be seen that the Institute's assets exceeded its liabilities in the General Fund and the Special Purpose grants at year-end by \$823 916 and \$527 352 respectively. These balances are carried forward, unencumbered, to the 1973 financial year and are exclusive of that portion of the contributions receivable which relates to future years (\$426 265), as well as the aforementioned donated capital assets (\$465 000).

3. The total income available to the General Fund during 1972 amounted to \$2 154 761, of which \$837 995 was carried forward from 1971 and \$1 316 766 relates to 1972, details provided in Statement II. As shown in this statement and in schedule 2, obligations were incurred in 1972 in the amount of \$1 330 845; these compare with \$1 267 878 in the preceding year. A summary by major objects of expenditure follows:

	1972		1971	
	Amount \$	Per cent	Amount \$	Per cent
<u>Management</u>				
Board of Trustees	18 968	1.4	24 172	2
Office of the Executive Director	148 462	11.2)	184 974	15
Administration	211 558	15.9)		
Geneva Office	81 282	6.1	67 197	5
<u>Programme activities</u>	692 681	52.0	604 641	48
Studies activities	448 558	33.7		
Operational activities	212 527	15.9		
General project support	31 596	2.4		
<u>General expenses</u>				
Maintenance, operation of premises	128 995	9.7	106 795	8
Other general expenses	48 899	3.7	280 099	22
	<u>1 330 845</u>	<u>100.0</u>	<u>1 267 878</u>	<u>100</u>

4. Because of the restructuring of the Institute, it has not been possible to present fully comparable figures for the years 1971 and 1972. The amount of \$211 558 shown under Administration in 1972 covers the Office of the Director of Administration, the Finance and Personnel Administration Section and Common Services excluding the library. The amount of \$692 681 shown under programme activities includes \$448 558 in respect of the Studies Department and project expenditures under other chapters; \$212 527 in respect of project administration, publications and library staff; and \$31 596 in respect of purchase of books and printing and reproduction costs, including a small amount for expenditure on new projects. The major items included under "Other general expenses" are communications (\$23 614) and external audit (\$10 200).

5. Schedule 1 provides a breakdown of governmental contributions pledged and paid. It shows that during 1972, 32 Governments paid a total of \$1 239 895 against their current and prior years' pledges leaving \$144 054 unpaid. Eight Governments have pledged \$426 265 for 1973 and subsequent years, bringing the total amount of pledges outstanding at year-end to \$570 319. The recommendation of the Board of Auditors to reflect in the accounts the degree to which the outstanding pledges receivable from some Governments for prior years were collectible, has been studied and it is my intention to present the matter to the Board of Trustees for its consideration.

6. As shown in schedule 3, an amount of \$795 193 became available in 1972 in respect of the programmes financed under special-purpose grants, against which obligations were incurred in the amount of \$267 841, thus leaving an unused balance of \$527 352 at year-end.

II. AUDIT OPINION

We have examined the following appended statement of status of funds, properly identified, and relevant schedules of the United Nations Institute for Training and Research for the year ended 31 December 1972. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. As a result of our examination, we are of the opinion that the financial statements properly reflect the recorded financial transactions for the year, which transactions were in accordance with the Financial Regulations and the legislative authority, and present fairly the financial position as at 31 December 1972.

(Signed) J. E. ESCALLON O.
Controller-General of Colombia

A. I. OSMANY
Auditor-General of Pakistan

G. R. LONG
Acting Auditor-General of Canada

June 1973

III. ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1972

Combined statement of assets, liabilities and Fund balance
as at 31 December 1972

(In US dollars)

<u>Assets</u>	\$	<u>Liabilities and Fund balance</u>	\$
I. General Fund			
<u>Current Assets:</u>		<u>General Fund</u>	
Cash in banks and on hand	50	<u>Current liabilities:</u>	
Interest-bearing bank account	918 997	Accounts payable	63 742
Special trust deposit-savings account	<u>8 615</u>	Due to held-in-trust for Special Purpose Grants Fund	205 199
Total	927 662	Provision for unliquidated obligations:	
		For 1971	1 712
		For 1972	<u>102 754</u>
		Total	<u>104 466</u>
Pledged contributions receivable from Governments (see schedule I)	570 319	Total current liabilities	373 407
Miscellaneous accounts receivable	4 932	Deferred contributions and income (see schedule I)	426 265
Accrued interest receivable	8 382	Investments in capital assets financed from donated funds	465 000
Due from United Nations General Fund	<u>56 663</u>		
Total	<u>640 296</u>	<u>Fund balance:</u>	
Total current assets	1 567 958	Balance 1 January 1972	837 995
		Less: Excess of expenditures over income (see statement II)	<u>14 079</u>
<u>Capital assets:</u>		Balance 31 December 1972	<u>823 916</u>
Leaschold and building	465 000		
<u>Other assets:</u>			
Collateral on leasehold	<u>55 630</u>		
Total Assets	<u>2 088 588</u>	Total liabilities and Fund balance	<u>2 088 588</u>
II. Held-in-trust for Special Purpose Grants Fund			
<u>Current assets:</u>		<u>Held-in-trust for Special Purpose Grants Fund</u>	
Cash in banks and on hand	359 618	<u>Current liabilities:</u>	
Due from UNITAR General Fund	205 199	Provision for unliquidated obligations:	
Accounts receivable	<u>20 395</u>	For 1971	3 900
Total current assets	<u>585 212</u>	For 1972	<u>53 960</u>
		Total current liabilities	57 860
		<u>Fund balance:</u>	
		Balance 1 January 1972	471 409
		Excess of income over expenditures	<u>55 943</u>
		Balance 31 December 1972	<u>527 352</u>
		Total liabilities and Fund balance	<u>585 212</u>
III. Grand Total all funds	<u>2 673 800</u>	Grand Total all funds	<u>2 673 800</u>

CERTIFIED CORRECT

(Signed) W. H. ZIEHL
Acting Head
Office of Financial Services

Statement of income and expenditure - General Fund
for the year ended 31 December 1972
(In US dollars)

	\$	\$
<u>Income</u>		
Government contributions during the current year		1 169 235
Interest income		47 713
Rental income		32 476
Sales of publications		6 028
Refund of prior years' expenditures		33 914
Savings in liquidation of prior years' obligations		26 124
Miscellaneous income		<u>1 276</u>
Total income		1 316 766
<u>Less: Expenditures ^{a/}</u>		
Salaries	732 558	
Ancillary allowances	174 429	
Education grant	8 907	
Income tax reimbursement	61 601	
Home leave, appointment and separation travel	72 066	
Other travel	51 695	
Communications	27 488	
Premises	128 995	
External audit	10 200	
Printing and ancillary expenditures	33 662	
Miscellaneous	<u>29 244</u>	
Total expenditures		<u>1 330 845</u>
Excess of expenditures over income		<u><u>14 079</u></u>

a/ See Schedule 2 for details of expenditures.

CERTIFIED CORRECT

W. H. ZIEHL
Acting Head
Office of Financial Services

Statement of income and expenditure - Special Purpose Grant Funds
for the year ended 31 December 1972

	\$	\$
<u>Income</u>		
Grants		317 566
Other income and adjustments		<u>6 218</u>
Total income		323 784
<u>Less: Expenditures</u>		
Salaries	154 918	
Ancillary allowances	9 652	
Travel	84 874	
Printing and ancillary expenditures	9 663	
Miscellaneous	<u>8 734</u>	
Total expenditure		<u>267 841</u>
Excess of Income over Expenditures		<u><u>55 943</u></u>

CERTIFIED CORRECT

(Signed) W. H. ZIEHL
 Acting Head
 Office of Financial Services

SCHEDULE 1

Status of contributions pledged as at 31 December 1972

State	Pledged for current year and prior years			Pledged for subsequent years			Total
	Unpaid balance 1 January 1972	Pledged in		Unpaid balance 1 January 1972	Pledged in current year and exchange of adjustments		
		1972	Prior years		1972	Payment expected in 1973	
	\$	\$	\$	\$	\$	\$	\$
Algeria	10 000	-	5 000	-	5 000	5 000	5 000
Argentina	-	15 000	15 000	-	-	-	-
Austria	-	3 171	3 171	-	-	-	-
Barbados	250	-	250	-	-	-	-
Belgium	-	56 510	56 510	-	-	-	-
Brazil	20 000	-	-	20 000	-	-	20 000
Canada	-	60 660	60 660	-	-	-	-
Denmark	-	25 000	25 000	-	-	-	-
Dominican Republic	2 000	-	-	2 000	-	-	-
Ecuador	20 202	-	-	19 904	-	-	-
Egypt	10 880	-	-	3 901	-	-	-
France	-	20 000	20 000	-	-	-	-
Germany, Federal Republic of	-	23 925	23 925	-	-	-	-
Greece	-	124 868	124 868	-	-	-	-
Guinea	15 000	7 500	7 500	-	-	-	-
Haiti	-	15 000	15 000	-	-	-	-
India	-	500	500	-	-	-	-
Indonesia	1 000	-	-	1 000	-	-	-
Iran	-	10 304	10 304	-	-	-	-
Iraq	-	10 000	10 000	-	-	-	-
Ivory Coast	-	19 811	19 811	-	-	-	-
Japan	-	40 000	40 000	-	-	-	-
Jordan	2 000	-	-	2 000	-	-	-
Liberia	-	2 000	2 000	-	-	-	-
Madagascar	-	3 000	3 000	-	-	-	-
Mali	8 000	-	-	8 000	-	-	-
Malta	600	-	-	600	-	-	-
Mauritania	5 000	-	-	5 000	-	-	-
Mauritius	-	187	187	-	-	-	-
Mexico	1 000	-	-	1 000	-	-	-
Morocco	-	-	-	-	-	-	-
Nepal	-	-	-	-	-	-	-
New Zealand	-	-	-	-	-	-	-
Niger	-	7 194	7 194	-	-	-	-
Nigeria	-	2 800	2 800	-	-	-	-
Senegal	11 862	30 303	30 303	-	-	-	-
Sri Lanka	-	999	999	-	-	-	-
Sudan	15 000	-	-	15 000	-	-	-
Sweden	2 600	40 000	40 000	-	-	-	-
Switzerland	-	1 698	1 698	-	-	-	-
Thailand	-	4 100	4 100	-	-	-	-
Uganda	20 000	-	-	20 000	-	-	-
Union of Soviet Socialist Republics	40 000	-	-	40 000	-	-	-
United Kingdom	-	109 950	109 950	-	-	-	-
United States of America	-	400 000	400 000	-	-	-	-
Upper Volta	12 000	-	-	12 000	-	-	-
Uruguay	-	500	500	-	-	-	-
Yugoslavia	20 000	-	-	20 000	-	-	-
Zaire	-	5 000	5 000	-	-	-	-
	-	30 000	30 000	-	-	-	-
Total	213 724	935 865	235 949	1 385 949	25 135	238 279	570 219

SCHEDULE 2

Obligations incurred for the year ended 31 December 1972

	<u>Approved budget</u> \$	<u>Obligations incurred</u>		<u>Total</u> \$
		<u>Disbursements</u> \$	<u>Unliquidated obligations</u> \$	
A. <u>Management</u>				
Board of Trustees	15 000	15 263	3 705	18 968
Office of the Executive Director	<u>186 100</u>	<u>141 055</u>	<u>7 407</u>	<u>148 462</u>
Total, Part A	<u>201 100</u>	<u>156 318</u>	<u>11 112</u>	<u>167 430</u>
B. <u>Programme Activities</u>				
Studies	458 700	407 228	28 983	436 211
Staff College	<u>-</u>	<u>122</u>	<u>-</u>	<u>122</u>
Total, Part B	<u>458 700</u>	<u>407 350</u>	<u>28 983</u>	<u>436 333</u>
C. <u>Common services</u>				
Administration	<u>463 000</u>	<u>391 688</u>	<u>32 398</u>	<u>424 086</u>
D. <u>General expenses</u>				
Maintenance, operation and improvement to premises	127 500	124 430	4 565	128 995
Furniture, fixtures and equipment	12 000	9 093	333	9 426
Communications	19 000	22 307	1 397	23 704
Miscellaneous supplies	6 000	4 362	387	4 749
Hospitality	3 000	1 568	-	1 568
Fund-raising	1 500	-	-	-
Library	3 000	2 195	129	2 324
Publication and distribution costs	40 000	19 323	15 931	35 254
External audit	10 200	5 051	5 149	10 200
Contingencies and new projects	<u>5 000</u>	<u>3 294</u>	<u>2 200</u>	<u>5 494</u>
Total, Part D	<u>227 200</u>	<u>191 623</u>	<u>30 091</u>	<u>221 714</u>
E. <u>Geneva office</u>	<u>99 500</u>	<u>81 112</u>	<u>170</u>	<u>81 282</u>
 Grand Total, Parts A to E	 <u>1 449 500</u>	 <u>1 228 091</u>	 <u>102 754</u>	 <u>1 330 845</u>

SCHEDULE 3

Special-purpose Grants
Status as at 31 December 1972

	Total funds available				Obligations incurred			Unencumbered balance 31 December 1972
	Unencumbered balance 31 December '71	Grants received in 1972	Other income and adjustments	Total available for 1972	Unliquidated		Total expenditures	
					Expenditures	obligations		
Volkswagen Foundation - Grant for research	32 186	48 049	-	80 235	34 159	4 360	38 519	41 716
Institute for International Order - UNITAS Weekends	2 445	-	-	2 445	1 578	822	2 400	45
Beulah Edge and Rowntree Trust - Research for peaceful settlements	62 958	6 995	1 000	70 953	40 388	300	40 688	30 265
Ford Foundation - Planning future research	6 728	-	1 060	7 788	6 680	-	6 680	1 108
France - "Erf in drain" project	281	-	-	281	-	-	-	281
Fund for Peace Grant - Peaceful settlement	2 944	-	-	2 944	-	-	-	2 944
Argentina - Financial and legal aspects of International Waterways	10 205	-	1 000	11 205	1 760	-	1 760	9 445
USSR - Fund for Training and Research	200 247	141 045	1 870	343 162	1 716	823	2 539	340 623
Kettering Grant - World youth project	186	-	700	886	-	-	-	886
Hungary - Fund for training and research	3 283	7 520	-	10 803	1 125	3 000	4 125	6 678
Sweden - Staff college project	20 000	-	-	20 000	13 747	2 286	16 033	3 967
Sweden - Regional seminars in procurement training	109 819	97 500	588	207 907	103 956	37 702	141 658	66 249
Germany, Federal Republic of - Miscellaneous	20 127	-	-	20 127	-	-	-	20 127
Fiat - Commission on the Future	-	10 000	-	10 000	2 315	4 667	6 982	3 018
Israel grant - Miscellaneous services	-	1 457	-	1 457	1 457	-	1 457	-
United Nations Association of the United States of America - Committee on the Future	-	5 000	-	5 000	5 000	-	5 000	-
	471 409	317 566	6 218	795 193	213 881	53 960	267 841	527 352

IV. REPORT OF THE BOARD OF AUDITORS

1. The Board of Auditors, established under General Assembly resolution 74 (I), is required, by virtue of article VIII, paragraph 6, of the statute of the United Nations Institute for Training and Research (UNITAR) (A/6875 and Corr.1, annex III) to audit the accounts in accordance with article XII of the United Nations Financial Regulations and the annex to these Regulations.

2. The Executive Director of the Institute submitted to the Board of Auditors for audit and certification the statement of status of funds and related schedules for the year ended 31 December 1972 (see chap. III above).

Scope of the audit

3. The responsibilities of the Board of Auditors are governed by the principles set out in the annex to the Financial Regulations of the United Nations, referred to in article XII, paragraph 1 of which reads as follows:

"The Board of Auditors shall perform jointly and severally such audit of the accounts of the United Nations, including all trust funds and special accounts, as it deems necessary in order to satisfy itself;

"(a) That the financial statements are in accord with the books and records of the Organization;

"(b) That the financial transactions reflected in the statements have been in accordance with the Rules and Regulations, the budgetary provisions and other applicable directives;

"(c) That the securities and moneys on deposit and on hand have been verified by certificate received direct from the Organization's depositaries or by actual count;

"(d) That the internal controls, including the internal audit, are adequate in the light of the extent of reliance placed thereupon;

"(e) That procedures satisfactory to the Board of Auditors have been applied to the recording of all assets, liabilities, surpluses and deficits."

4. In addition to the above, the Board of Auditors may also make such observations as may be deemed necessary with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls, and, in general, the administration and management of the Organization.

5. The examination of the accounts and financial statements has included a review of the accounting procedures and systems of internal control, tests of the transactions and accuracy of the accounting records and other supporting evidence to the extent considered necessary in the circumstances.

Delay in submission of annual accounts for 1972

6. According to the financial regulation 11.4,

"The annual accounts shall be submitted by the Secretary-General to the Board of Auditors not later than 31 March following the end of the financial year."

The certified annual accounts of the Institute for the year 1972 were submitted to the Board of Auditors as late as 11 May 1973.

7. The late submission of accounts causes great difficulties and pressures on External Audit in examining the accounts and finalizing the audit report. It is recommended that the time-limit laid down in the financial regulation for submission of annual accounts should be strictly adhered to in future.

Expenditure by functional activities

8. In the report to the General Assembly on the accounts of the Institute for the year 1971, 1/ the Board of Auditors had observed in paragraph 9 that, while the expenditure on programme activities, which are related to the substantive functions of the Institute, had been decreasing since 1969, there had been a corresponding rise in its management and general expenses. The Board had hoped that steps taken by the management of the Institute would result in a reversal of the past trends in this respect.

9. It had been noted, however, that the expenditure on programme activities has further gone down from 56.5 per cent in 1971 to 52.0 per cent this year.

10. The need for effecting economies in general administrative expenditure is reiterated so that the resources available to the Institute may be utilized to the maximum for its primary objectives of training and research.

Real property taxes on the Institute's building

11. The building located at 801 United Nations Plaza was purchased by the United Nations on behalf of the Institute on 27 October 1964. The land on which the building is constructed is on lease renewable for periods of 21 years until 31 July 2035. The United Nations has an option to purchase the land in the form of a right of first refusal should the owner of the land decide to sell. One of the conditions of the purchase agreement was that the ground floor of the building, which was then occupied by the seller, was to be rented back, but the tenancy could be terminated at one year's notice. The United Nations also had to take over a lease assigned to a coffee shop which was to expire on 31 March 1972 with no right of renewal.

12. The tenants vacated the building on 31 December 1972, but the lease of the coffee shop was extended twice, for a year on each occasion, and will now expire on 31 March 1974.

1/ Official Records of the General Assembly, Twenty-seventh Session, Supplement No. 7D (A/8707/Add.4), chap. II.

13. According to section 416 of the New York Real Property Tax Law, real property owned by the United Nations is exempt from taxation, special ad valorem levies and special assessments, if it is exclusively used for the purposes of the Organization. In May 1966, the Secretary-General requested the Permanent Representative of the United States of America to the United Nations to use his good offices to obtain tax exemption on at least four fifths of the building, which was in exclusive use by the Institute.

14. The New York City Commission to the United Nations considered this request and regretted that, under the present statutory provisions, an exemption was not available. The Commission, however, stated that, in their opinion, "a tax exemption should be made available to the United Nations with respect to these premises, and to that end, we are in the process of preparing remedial legislation for presentation to the State Legislature". It was their intention "to press for the passage of such a law and to support a provision making the effective date of the law retroactive to permit recovery of taxes presently payable". They advised that, in order to claim refund of moneys previously paid, in the event that the proposed retroactive legislation were passed, it would be necessary to obtain a "protest number" and pay the taxes under protest.

15. Consequently, taxes (currently amounting to \$21,903.65 per year) were paid by the Institute from October 1966 through April 1967 under protest. In April 1967, the City Commission informed the Secretary-General that they had been "unsuccessful in obtaining any substantial backing for the passage of such legislation during the recent session of the Legislature".

16. The matter was not pursued further with the City Commission and, since October 1967, the taxes continued to be paid without protest.

17. The Board has the following observations to make:

(a) The case of exemption from taxes in respect of the Institute's building should have been pursued vigorously, particularly in view of the fact that the Commission had in principle recognized the need for such exemption. It may be added that exemptions in similar conditions are authorized under the New York Real Property Tax Law in cases of charitable and educational institutions, the Government of the United States and foreign Governments.

(b) It would have been prudent to arrange for the termination of the lease to the coffee shop simultaneously with the vacation of the premises by the other tenant. The Legal Counsel, in his letter dated 27 August 1971 to the Assistant-Secretary-General, Office of General Services, had observed that "efforts to seek tax exemption would be helped by the absence of commercial tenants in the building, since this would mean that the entire building would be within the Headquarters District and used exclusively for United Nations purposes".

(c) In any case, payment under protest of the real property taxes should have been continued so that whenever a favourable decision or new legislation was available for tax exemption, the refund of amounts already paid could be claimed.

18. The Office of Legal Affairs has stated that:

(a) The New York City Commission is not a legal authority and, in the absence of an express decision allowing exemption, the United Nations was legally bound to

pay the taxes under terms of the purchase deed. They would, however, continue to follow the matter in order to determine what further presentation should be made to the appropriate authorities;

(b) If the coffee shop's lease had been ended, the Institute would have lost \$12,000 in rental without any assurance that real estate taxes would be reduced or ended in consequence; and

(c) Even if legislation providing for exemption were to be adopted, it is at least doubtful whether such legislation would be enacted with retroactive effect.

19. The Board hopes that the renewed efforts of the Office of Legal Affairs, the Institute and the Office of General Services would bear fruit and suggests that, in the meanwhile, payment of the taxes under protest should be continued.

Utilization of the services of consultants

20. The functions of training and research entrusted to the Institute are both of a nature which necessitate frequent utilization of services of scholars and consultants. A number of special service agreements were reviewed in audit to check if they were in accordance with the Personnel Directive No. 4/63, which sets out the conditions governing the use of such agreements.

21. Audit observations on certain aspects of some of these agreements are contained in the succeeding paragraphs.

22. On a curriculum vitae received from a visiting professor, various persons responsible in the Institute for initial evaluation expressed considerable doubts as to his suitability and competence for training/research. It was said that the candidate was "unsuited to UNITAR's requirements, let alone for a senior post". Nevertheless, the Executive Director decided to appoint him in December 1971 as a short-term consultant to prepare a manual entitled "Some new techniques of training for UNITAR" on which he had already commenced work. He was to be paid a lump sum of \$5,000.

23. The manual was submitted on 4 January 1972 along with an out-of-pocket expense bill for \$770.96 plus \$500 as other charges. The manual, however, was assessed by the staff of the Institute as of no practical value and its publication was not recommended. After obtaining independent views, which tended to agree with this evaluation, the consultant was finally informed that the manual was not of much utility. After prolonged protestations from him, an amount of \$2,000 for his work and \$700 as ex gratia for out-of-pocket expenses was paid.

24. The facts stated above lead to the conclusion that a wasteful expenditure of \$2,700 was incurred, because it was decided to appoint the consultant despite the doubts which had been expressed about his capacity at the time of the original evaluation of his abilities.

25. In another case, the services of a consultant continued to be engaged from 15 November 1966 to 31 December 1969, a period of more than three years, during which he was paid at the rate of \$95 per day when actually employed. The total payments during the period work out to \$33,903. At the time of the initial

agreement, the Office of Personnel observed that the services of the consultant were of a general nature and did not meet the requirements of paragraph 4 of Personnel Directive No. 4/63. The minutes recorded in the Office of Personnel indicate that telephonic inquiries from the management of the Institute did not reveal what specific task had been entrusted to him. It had even been quoted that the consultant "only gives corridor advice and shows up at meetings".

26. In reply to an observation, UNITAR observed that, during the first years of the Institute's existence, the consultant had been responsible for the formulation and elaboration of its diplomatic training programmes. He had also given advice on other questions of training policy, had prepared a number of draft research papers for panel meetings, had attended research meetings, and had been associated with conducting approximately one seminar every year.

27. The management of the Institute is the best judge of the need and utility of services of consultants. Now that the Institute has overcome its initial difficulties, the Board hopes that the services of consultants will be utilized on specific tasks and in conformity with the policy laid down in the Personnel Directive mentioned above.

28. The advisory services of another consultant were engaged during the periods from 11 to 22 July 1966 and from 15 November 1966 to 31 December 1967 at \$75 per day when actually employed. Again in this case the Office of Personnel, while approving the Special Service Agreements, observed that "the nature of services were so general that in future such agreements would not be certified".

29. The Board is of the view that, although the Office of Personnel took note of the fact that the agreements were not in conformity with the Personnel Directive No. 4/63, they approved them simply "because of having been confronted with a de facto situation" as was remarked by them in one of their communications to the Institute.

30. The Board recommends that:

(a) A very careful screening should be made of the suitability of consultants for the specific tasks proposed to be assigned to them;

(b) In entering into special service agreements with consultants, the Institute should have regard for the need to ensure that it derives benefits from the services of the consultants commensurate with the expenditure of funds involved; and the agreements should conform to the provisions of Personnel Directive No. 4/63, having regard to the special requirements and statutory position of the Institute.

31. The Board is gratified to note that the management of UNITAR agrees that both the appointment of consultants and the terms on which they are appointed would be given more careful consideration. On this matter, the Executive Director has been giving attention to this matter since taking over charge of the post.

Publication sales

32. The Institute has so far published, besides information material, 40 books for sale and research papers, the sales operations for which commenced with effect from 20 April 1971. As research activities continue, the sale of publications is

likely to expand. It was observed, however, that the internal controls in respect of sales operations were not satisfactory in the following respects:

(a) A proper cash book for recording daily transactions had not been maintained, although cash receipts were now being remitted daily to the United Nations cashier. It will be recalled that a recommendation to this effect was made in paragraphs 123-125 of the long-form audit report for the year ended 31 December 1971;

(b) Cash receipts were issued on memo forms and not on machine-numbered vouchers;

(c) No reminders had been issued to defaulters in respect of invoices which had not been paid. As of 31 March 1973, unpaid invoices for 1971 stood at \$334.25 and for 1972 at \$2,414.72;

(d) Proper inventory records of sales publications had not been maintained. When this was pointed out during the course of audit, inventories were taken of two publications, which revealed that 411 copies, priced at \$2.50 each, were unaccounted for, 436 copies were distributed free and 620 copies had been sent to the United Nations Office at Geneva, in respect of which no further details were available. Management thought that one reason for the large number of copies which were unaccounted for could be that free copies might have been understated. The position regarding other priced publications is still not known. In view of this, it could not be ascertained whether all sales had been accounted for, whether free distribution had been made under proper authorization, and if the stock on hand were correct.

33. The management of the Institute agreed with the Board that the position had not been satisfactory and undertook a detailed study with a view to improving arrangements.

34. The Board suggests that:

(a) The proposed rearrangements may be made at the earliest convenience;

(b) A policy guideline should be laid down for free distribution;

(c) Proper accounting reports may be obtained from the United Nations Office at Geneva;

(d) An inventory may be taken of all priced publications; and

(e) Necessary action may be taken for locating/writing off the copies unaccounted for.

35. Remedial action on the lines indicated above has been initiated by the management and the results would be examined in the course of the audit of accounts of the Institute for the year 1973.

Implementation of previous recommendations

Deposit of \$25,000 not credited to the Institute's account by bank

36. The Board had recommended in paragraph 8 of its report to the General Assembly on the accounts for the year 1971 2/ that there was a need for closer follow-up of outstanding items while reconciling bank statements. It was noticed that deposits were now being followed up properly.

Unusual premature salary increments

37. The Board of Auditors had observed that, contrary to the relevant rules and normal practice, extension of an appointment was used as an occasion for additional steps in salary fixation. It was, therefore, suggested that the desirability of making appropriate amendments in the Staff Regulations might be considered or effective steps taken to ensure that such readjustments of pay are never made again.

38. The Director, Division of Personnel Administration, has issued instructions to exercise greater administrative control to ensure that exceptions of this nature would not be permitted in the future. Care would also be taken to make sure that such readjustments of pay are strictly limited to bona fide cases of correction of serious and manifest error at recruitment.

Acknowledgement

39. The Board appreciates the co-operation and assistance it received from the Executive Director and his staff and the Secretariat of the United Nations in the discharge of its duties.

(Signed) J. E. ESCALLON O.
Controller-General of Colombia

A. I. OSMANY
Auditor-General of Pakistan

G. R. LONG
Acting Auditor-General of Canada

22 June 1973

2/ Ibid.

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