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Forty-fourth session
Agenda item 121FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS
OF THE BOARD OF AUDITORSReport of the Fifth CommitteeRapporteur: Mr. Etien NINOV (Bulgaria)

1. At its 3rd plenary meeting, on 22 September 1989, the General Assembly decided to include in the agenda of its forty-fourth session, and to allocate to the Fifth Committee, the item entitled:

"Financial reports and audited financial statements, and reports of the Board of Auditors:

"(a) United Nations Development Programme;

"(b) United Nations Children's Fund;*

"(c) United Nations Relief and Works Agency for Palestine Refugees in the Near East;

"(d) United Nations Institute for Training and Research;

"(e) Voluntary funds administered by the United Nations High Commissioner for Refugees;

"(f) United Nations Population Fund."

* Owing to the biennial budget cycle of the United Nations Children's Fund, that organization submitted no financial report for consideration by the General Assembly at its current session.

2. At its 3rd to 7th, 12th and 13th meetings, on 2, 4, 6, 9, 16 and 17 October 1989, the Fifth Committee considered the financial reports and audited financial statements for the year ended 31 December 1988 and the reports and audit opinions of the Board of Auditors concerning the United Nations Development Programme, 1/ the United Nations Relief and Works Agency for Palestine Refugees in the Near East, 2/ the United Nations Institute for Training and Research, 3/ the voluntary funds administered by the United Nations High Commissioner for Refugees 4/ and the United Nations Population Fund, 5/ and the related report of the Advisory Committee on Administrative and Budgetary Questions (A/44/543).

3. The Committee also had before it a note by the Secretary-General transmitting a concise summary of the principal findings, conclusions and recommendations of common interest contained in the reports of the Board of Auditors (A/44/356) and a report of the Secretary-General on the presentation and format of financial statements and accounting policies of all audited organizations and programmes (A/44/537), as well as a 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/44/541) and the responses of the executive heads of United Nations organizations and programmes concerned on this subject (A/44/544).

4. The comments and observations made in the course of the discussion of the item and the replies to queries raised are reflected in the summary records of the Fifth Committee (A/C.5/44/SR.3-7, 12 and 13).

5. At the 12th meeting, on 16 October, the Vice-Chairman of the Committee, following informal consultations, introduced a draft resolution (A/C.5/44/L.3), and orally revised it by changing the words "desire for" to "desirability of" in operative paragraph 11, and inserting the word "and" after "each entity" in operative paragraph 15, and changing the word "biennial" to "biennium" in operative paragraph 23. The Vice-Chairman also made note of several typographical errors in the draft resolution.

6. At its 13th meeting, on 17 October, the Committee adopted draft resolution A/C.5/44/L.3, as orally revised, without a vote (see para. 8).

7. The representative of the United States of America spoke in explanation of position.

1/ Official Records of the General Assembly, Forty-fourth Session, Supplement No. 5A (A/44/5/Add.1).

2/ Ibid., Supplement No. 5C (A/44/5/Add.3).

3/ Ibid., Supplement No. 5D (A/44/5/Add.4).

4/ Ibid., Supplement No. 5E (A/44/5/Add.5).

5/ Ibid., Supplement No. 5G (A/44/5/Add.7).

RECOMMENDATION OF THE FIFTH COMMITTEE

8. The Fifth Committee recommends to the General Assembly the adoption of the following draft resolution:

Financial reports and audited financial statements, and reports
of the Board of Auditors

The General Assembly,

Having considered the financial reports and audited financial statements for the year ended 31 December 1988 of the United Nations Development Programme, 6/ the United Nations Relief and Works Agency for Palestine Refugees in the Near East, 7/ the United Nations Institute for Training and Research, 8/ the voluntary funds administered by the United Nations High Commissioner for Refugees, 9/ and the United Nations Population Fund, 10/ the reports and audit opinions of the Board of Auditors, 11/ the report of the Advisory Committee on Administrative and Budgetary Questions, 12/ the concise summary of the principal findings, conclusions and recommendations of common interest contained in the reports of the Board of Auditors, 13/ the report on the presentation and format of financial statements and accounting policies of all audited organizations and programmes 14/ and the relevant reports on the implementation of the recommendations, 15/

Noting with concern that the Board of Auditors, for the reasons stated in its reports, issued qualified audit opinions on the financial statements of

6/ Ibid., Supplement No. 5A (A/44/5/Add.1).

7/ Ibid., Supplement No. 5C (A/44/5/Add.3).

8/ Ibid., Supplement No. 5D (A/44/5/Add.4).

9/ Ibid., Supplement No. 5E (A/44/5/Add.5).

10/ Ibid., Supplement No. 5G (A/44/5/Add.7).

11/ Ibid., Supplement No. 5A (A/44/5/Add.1), sects. II and IV; *ibid.*, Supplement No. 5C (A/44/5/Add.3), sects II and III; *ibid.*, Supplement No. 5D (A/44/5/Add.4), sects II and III; *ibid.*, Supplement No. 5E, sects I and II; and *ibid.*, Supplement No. 5G (A/44/5/Add.7), sects. II and IV.

12/ A/44/543.

13/ A/44/356.

14/ A/44/537.

15/ A/44/541 and A/44/544.

the United Nations Development Programme and the United Nations Population Fund, and also issued a qualified audit opinion on compliance with the Financial Regulations of the United Nations and with legislative authority in the transactions of the United Nations Institute for Training and Research,

Noting also with concern the delay in the issuance of some reports related to this item for consideration by the General Assembly at its forty-fourth session,

Noting the efforts by a number of United Nations organizations and programmes to improve the presentation and format of financial statements and the accounting policies followed,

Taking into consideration the views expressed by delegations, by the Board of Auditors and by the Advisory Committee on Administrative and Budgetary Questions during the debate in the Fifth Committee on this item 16/, and the widely expressed support for measures to improve the efficiency, effectiveness, management, financial accountability, budgetary control and standardization of the presentation of financial statements and accounting policies, and the practices and procedures of the United Nations organizations and programmes concerned,

Stressing the need to standardize the presentation and format of financial statements and accounting policies among United Nations organizations and programmes,

Stressing also the importance of an effective internal audit function in those organizations and programmes on which the Board of Auditors reports,

1. Accepts the financial reports and audited financial statements and the audit opinions and reports of the Board of Auditors regarding the aforementioned organizations;
2. Requests the governing bodies of the United Nations Development Programme, the United Nations Population Fund and the United Nations Institute for Training and Research to require the executive heads concerned to take immediate steps within their competence to correct or improve the conditions that gave rise to the qualification of audit opinions of the Board of Auditors;
3. Urges the administrations and governing bodies of the executing agencies and other relevant parties concerned to solve the technical problems identified by the Board of Auditors with regard to the certification of programme expenditures and programme support costs in co-operation with the United Nations Development Programme and with the United Nations Population Fund;

16/ See Official Records of the General Assembly, Forty-fourth Session, Fifth Committee, 3rd to 7th, 12th and 13th meetings.

4. Endorses the observations and recommendations of the Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions as contained in their respective reports;

5. Requests the competent governing bodies to ensure that the executive heads concerned take necessary steps to implement the recommendations of the Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions as contained in their respective reports, and to report thereon to the General Assembly at its forty-fifth session;

6. Requests the Secretary-General and the executive heads of United Nations organizations and programmes concerned to take without delay appropriate measures within their competence and in light of the comments, observations and recommendations of the Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions, as endorsed in the present resolution, in particular those relating to accounts and financial reporting, programme expenditure, assets and liabilities, including unliquidated obligations, budgetary controls, cash management, trust funds accounts and management issues such as hiring of consultants, award of contracts and project formulation, and to report to the General Assembly at its forty-fifth session, through the governing bodies of those organizations and programmes;

7. Also requests the Secretary-General and the executive heads of United Nations organizations and programmes concerned to report to the General Assembly at its forty-fifth session, through the Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions, specific measures taken to implement the recommendations of the board, and to explain if any of those recommendations have not yet been implemented, and requests the Board and the Advisory Committee to evaluate the efficacy of those measures and to report thereon to the General Assembly at its forty-fifth session;

8. Recommends that all future reports of the Board of Auditors continue to include separate sections that summarize recommendations for corrective action to be taken by the organizations and programmes concerned, with an indication of relative urgency;

9. Also recommends that the Board of Auditors continue to submit to the General Assembly a concise document summarizing its principal findings, conclusions and recommendations of common interest, classified by audit area and, where appropriate, identifying the audited organization;

10. Approves the changes in the financial procedures of the United Nations Development Programme, as recommended by the Governing Council of the Programme in its decision 89/61, and the United Nations Population Fund, as recommended by the Governing Council in its decision 89/49; 17/

17/ See Official Records of the Economic and Social Council, 1989, Supplement No. 13 (E/1989/32), annex I.

11. Requests the governing bodies of those audited organizations and programmes which are on biennial budget cycles to review at their next session the question of the periodicity of audit reports, bearing in mind the desirability of annual reporting on management issues;

12. Requests the Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions to continue to cover in their reviews of the organizations and programmes, including peace-keeping operations, the areas relating to the efficiency and effectiveness of the financial procedures and controls, the accounting system and related administrative and management areas, in accordance with regulation 12.5 of the Financial Regulations of the United Nations, and to recommend measures, as appropriate, to strengthen financial and management controls;

13. Also requests the Board of Auditors to continue to study the desirability and feasibility of conducting its reviews as stipulated in regulation 12.5 of the Financial Regulations of the United Nations in a more comprehensive manner and to report thereon to the General Assembly at its forty-fifth session;

14. Requests the Secretary-General and the executive heads of United Nations organizations and programmes, in consultation with the Board of Auditors, to develop further, with a view to prompt completion, the general accounting framework within which financial statements may be prepared, having regard to the relevant financial regulations and rules and also to generally accepted accounting principles, and to report thereon to the General Assembly at its forty-fifth session;

15. Invites the Board of Auditors to keep under review the stated accounting policies of each organization and programme and to draw the attention of the Assembly to specific areas in which it considers that there are differences in accounting policies, having regard to the respective mandates of each entity and with a view to greater harmonization;

16. Requests all administrations and governing bodies concerned, in co-operation with the Board of Auditors, to complete the review and clarification of their accounting policies with respect to the recording of unliquidated obligations, taking into account generally accepted accounting principles and regulations 4.3 and 4.4 of the Financial Regulations of the United Nations;

17. Invites Governments that are represented on the governing bodies of organizations and programmes for which audited financial statements have been considered by the General Assembly to ensure that full consideration is given to the reports of the Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions and the comments made thereon by the Fifth Committee;

18. Encourages all governing bodies of organizations and programmes to invite a representative of the Board of Auditors to be present at their meetings when considering the reports of the Board;

19. Requests the Secretary-General and the executive heads of United Nations organizations and programmes concerned to ensure that their respective internal audit units carry out follow-up audit work to assess the corrective action taken by the administrations in response to the main recommendations of the Board of Auditors;

20. Requests the administrations concerned and the Board of Auditors to ensure that comments of the administrations on the observations of the Board are available to the Board prior to the finalization of its reports;

21. Requests the executive heads of the organizations and programmes concerned to apply existing controls and procedures in order to ensure that expenditures do not exceed the level of funds provided under allotments in accordance with financial rules and to enforce existing disciplinary measures with a view to enhanced accountability and budgetary discipline;

22. Requests the Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions to review the liquidity position held by all United Nations organizations and to report thereon to the General Assembly at its forty-fifth session;

23. Also requests the Board of Auditors to carry out an audit examination of substantive matters, including management issues, for the United Nations Children's Fund in respect of the first year of each biennium and to submit a report on its findings and recommendations, through the Advisory Committee on Administrative and Budgetary Questions, to the General Assembly and to the Executive Board of the Fund;

24. Further requests the Board of Auditors to review the administrative instructions issued in implementation of the Financial Regulations and Rules of the United Nations, in particular rule 114.1, and to report on their adequacy and efficacy to the General Assembly at its forty-fifth session.
