

**General Assembly****Distr.**
GENERAL**A/44/674**
27 October 1989**ORIGINAL: ENGLISH****Forty-fourth session**
Agenda item 121**FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS
OF THE BOARD OF AUDITORS****Report of the Fifth Committee****Rapporteur: 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 Programmet

"(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 organisation 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 organisations 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 organisations 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 1968 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. 54 (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 organisations 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 organisations 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 organisations 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 unfqudated 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 organisations 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 summarise recommendations **for** corrective action to be taken by the *organisations 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 summarising its principal **findings**, conclusions and recommendations of common interest, classified by audit area and, where appropriate, identifying the audited organisation)

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 Offal Records of the Economic and Social Council, 1989, Supplement No. 13 (E/1989/32), annex 1.

11. **Requests** the governing bodies of those audited organisations 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 organisations 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 harmonisation;

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 organisations 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 organisations 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.
