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## FINANCIAL REPORTS AND ACCOUNTS FOR THE YEAR 1973 AND REPORTS OF THE BOARD OF AUDITORS

### Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions discussed with the Board of Auditors its reports to the General Assembly on the financial reports and accounts of the United Nations, 1/ the International Trade Centre UNCTAD/GATT, 2/ the United Nations Development Programme, 3/ the United Nations Children's Fund, 4/ the United Nations Relief and Works Agency for Palestine Refugees in the Near East, 5/ the United Nations Institute for Training and Research, 6/ the voluntary funds administered by the United Nations High Commissioner for Refugees 7/ (including focal point operations in India) and the Fund of the United Nations Environment Programme. 8/ The Advisory Committee will be reporting separately on the United Nations Fund for Population Activities, the accounts of which had not been audited by the Board at the time this report was approved by the Committee.

\* A/9700.

1/ Official Records of the Twenty-ninth Session, Supplement No. 7 (A/9707),  
vol. I, chap. IV.

2/ Ibid., Supplement No. 7 (A/9707), vol. II, chap. IV.

3/ Ibid., Supplement No. 7A (A/9707/Add.1), chap. IV.

4/ Ibid., Supplement No. 7B (A/9707/Add.2), part one, chap. IV, and part two,  
chap. IV.

5/ Ibid., Supplement No. 7C (A/9707/Add.3), chap. III.

6/ Ibid., Supplement No. 7D (A/9707/Add.4), chap. IV.

7/ Ibid., Supplement No. 7E (A/9707/Add.5), chap. III.

8/ Ibid., Supplement No. 7F (A/9707/Add.6), chap. IV.

2. For the second year, the Board has submitted the same reports both to the General Assembly and to the Secretary-General (or the executive head concerned); the latter had, in the past, received more detailed reports. As reported by the Advisory Committee last year (A/9153, para. 2), the Board, after its first experience with this new practice, was not satisfied that it had achieved the right balance between informativeness and brevity, and it intended to review the situation at its session in the autumn of 1973. The Advisory Committee notes with satisfaction that the balance sought by the Board seems to have been achieved in this year's reports.

3. The Advisory Committee was informed by the Board that, in the course of its work, it received full assistance and co-operation from the financial services concerned, but that the accounts of several agencies were received by the Board well past 31 March, the date required by financial rule 111.12. The Committee trusts that steps are being taken to remedy this situation.

#### A. United Nations

4. The Advisory Committee has examined the financial reports and accounts for 1973 and the related report of the Board of Auditors, in respect of the United Nations General Fund, the Working Capital Fund and Special Accounts; the Special Account of the United Nations Emergency Force (1956); the United Nations Emergency Force (1973); the Ad Hoc Account for the United Nations Operation in the Congo; the technical assistance operations of the United Nations, the United Nations Industrial Development Organization (UNIDO) and the United Nations Conference on Trade and Development (UNCTAD), financed by the United Nations Regular Programme, the United Nations Development Programme (UNDP) and extrabudgetary trust funds; and Trust Funds and other Special Accounts.

5. In paragraph 13 of its report, 9/ the Board addresses itself to several recommendations which were made in the Board's report on the audit of the 1972 accounts. 10/ The Board states that a follow-up of these recommendations in 1973 indicated that, although many have been implemented, there still exists the need to take further corrective action in respect of internal control procedures. The Advisory Committee trusts that positive steps will be taken in this area.

6. In paragraph 21, the Board again refers to the difficulties it had experienced in receiving from some banks confirmation of balances on deposit with them despite second and third requests issued on behalf of the Board by the Treasurer. The Board informed the Committee that, if this situation continues, consideration may have to be given to the closing of certain bank accounts. The Advisory Committee supports this suggestion.

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9/ Ibid., Supplement No. 7 (A/9607), vol. I, chap. IV.

10/ Ibid., Twenty-eighth Session, Supplement No. 7 (A/9007), chap. IV.

7. In its report of last year (A/9153, para. 6), the Advisory Committee made reference to the Board's recommendation for the preparation of an up-to-date manual consolidating all the accounting procedures and reported that the Secretary-General had included this project in his proposed programme budget for the biennium 1974-1975. It now appears, from paragraph 25 of the Board's current report, 9/ that work on the manual has begun and that a consultant is being retained for this purpose. In the interest of uniformity the Advisory Committee urges the Secretary-General to prepare a common manual, rather than separate editions for the United Nations operations in New York, at Geneva and Vienna; the Committee was informed by the Board that the Auditors would also prefer a common manual and that their recommendation concerning manuals for Geneva and Vienna was owing to the absence of a manual at Headquarters.

8. In paragraph 37, the Board recommends that the Office of Financial Services should systematically review the cash position of each trust fund in order to maximize interest income that will accrue from the investment of these cash resources. The Board based its recommendations on the results of a test examination it made in 1973, which revealed that, in some cases, funds in excess of current requirements continue to be deposited in non-interest-bearing current accounts or low-interest-bearing savings accounts with a consequent loss of potential interest income. The Advisory Committee supports this recommendation of the Board.

9. In its report of last year (A/9153, para. 8), the Advisory Committee expressed agreement with the Board's recommendation that a complete physical inventory be carried out at the United Nations Office at Geneva. The Committee notes from paragraph 48 of the current report that the management of the Office of the United Nations at Geneva is following the Board's recommendation and is in the process of determining the most efficient manner in which such an inventory can be carried out during the 1974-1975 biennium. The Advisory Committee believes that the matter could and should be more vigorously pursued.

10. In its observations on United Nations technical assistance operations, the Board draws attention to shortfalls in delivery of programmes by the Office of Technical Co-operation and UNIDO; in the case of UNIDO, the Board states, in paragraph 70, as it did last year, 11/ that the shortfalls would indicate planning which is over-optimistic.

#### B. International Trade Centre UNCTAD/GATT

11. The Advisory Committee has examined the report of the Board of Auditors on the accounts of the International Trade Centre UNCTAD/GATT for the year ended 31 December 1973. 12/ The audit of these accounts had, with the concurrence of the Advisory Committee, been transferred from the External Auditors of GATT to the United Nations Board of Auditors in 1973.

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11/ Ibid., para. 97.

12/ Ibid., Twenty-ninth Session, Supplement No. 7 (A/9607), vol. II.

12. The Advisory Committee notes that the section of the Board's report entitled "Administrative and financial arrangements of the Centre" makes no reference to the fact that the present administrative arrangements for the Centre (in effect since 1 March 1973) were considered, upon recommendation of the Advisory Committee, 13/ in December 1973 by the Fifth Committee, which took note of them at its 1617th meeting. The Committee has been informed that the Secretary-General will be submitting a further paper on these administrative arrangements to the General Assembly at its twenty-ninth session.

#### C. United Nations Development Programme

13. The Advisory Committee has examined the report of the Board of Auditors on the United Nations Development Programme accounts for the year ended 31 December 1973. 14/

14. The Advisory Committee notes from the section entitled "Follow-up action on previous years' reports" that the Board is not fully satisfied with the steps taken by the Administrator to implement the recommendations it made last year. The Committee trusts that the Administrator will take appropriate action in this respect.

15. The Committee notes that the UNDP financial statements for the year ended 31 December 1973 have been substantially redesigned better to reflect the results of the operations by taking into account the expenditures incurred by the agencies and finally reporting the net resources available for the Programme as a whole.

16. In paragraph 31, the Board observes that requests from agencies for cash remittances to finance UNDP project implementation are rarely accompanied by acceptable evidence of future cash requirements based on expenditures incurred in the previous periods. The Advisory Committee supports the Board's recommendation that appropriate procedures, in accordance with rule 104.2 of the Financial Regulations of UNDP, be introduced to control the amounts being remitted to agencies to finance UNDP-assisted programmes.

#### D. United Nations Children's Fund

17. The Advisory Committee has examined the reports of the Board of Auditors on (a) the accounts of the United Nations Children's Fund for the year ended 31 December 1973; 15/ and (b) those of the United Nations Children's Fund Greeting Card Operation for the year ended 30 April 1973. 16/

18. The Advisory Committee notes from the section entitled "Follow-up" that the Executive Director had taken follow-up action on the points brought out in the Audit Reports for the previous two years. 15/

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13/ Ibid., Twenty-eighth Session, Supplement No. 8A (A/9008/Add.1-34), document A/9008/Add.18, para. 7.

14/ Ibid., Twenty-ninth Session, Supplement No. 7A (A/9607/Add.1), chap. IV.

15/ Ibid., Supplement No. 7B (A/9607/Add.2), part one, chap. IV.

16/ Ibid., part two, chap. IV.

19. In connexion with UNICEF contracts, the audit revealed several instances of delayed delivery or failure to supply materials. The Advisory Committee supports the Board's suggestion that UNICEF should safeguard its interests by providing in all contractual arrangements for compensation to UNICEF at specified rates in the event of late delivery and for a deposit or performance bond to protect UNICEF against default by the contractor.

20. In paragraphs 23-25, 15/ the Board refers to the situation where UNICEF vehicles, on loan to Governments, are disposed of by those Governments because they judge them to be unserviceable and uneconomical to repair. The Board points to the need to ensure that the proceeds accrue to UNICEF and are received without undue delay. The Board suggests that, whenever feasible, UNICEF itself should dispose of the vehicles; such a procedure would also obviate possible disputes about the serviceability of the vehicles. The Advisory Committee recalls that, at the end of 1972, a member of the Joint Inspection Unit carried out a survey of UNICEF-assisted transport operations (JIU/REP/73/6). The Committee trusts that the Board's suggestion and the Inspector's recommendations will be given serious consideration by UNICEF.

21. Over-production of greeting cards, which the Board has discussed in the past several years, continues to be a matter of serious concern to the Board. Although steps have been taken to reduce the level of unsold stocks, the Board estimates over-production for 1972 at nearly 28 per cent as compared with 29 per cent for the year before. The Advisory Committee continues to urge that procedures be developed which will keep over-production to a minimum and ensure the greatest possible use of existing stocks.

E. United Nations Relief and Works Agency for  
Palestine Refugees in the Near East

22. The Advisory Committee has no comments on the report of the Board of Auditors on the accounts of the United Nations Relief and Works Agency for Palestine Refugees in the Near East for the year ended 31 December 1973. 17/

F. United Nations Institute for Training and Research

23. The Advisory Committee has examined the report of the Board of Auditors on the accounts of the United Nations Institute for Training and Research for the year ended 31 December 1973. 18/

24. The Committee recalled that, for the past several years, it has expressed the hope, in its observations on the accounts of the Institute, that the measures

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17/ Ibid., Supplement No. 7C (A/9607/Add.3), chap. III.

18/ Ibid., Supplement No. 7D (A/9607/Add.4), chap. IV.

taken by the Executive Director to reduce the proportion of the Institute's resources devoted to administrative expenditure would meet with success (see A/8810, para. 24, and A/9153, para. 26). The Committee notes, however, from paragraph 11 of the Board's report that the Institute's management and general expenses accounted for an even higher percentage of the Institute's expenditure in 1973, and that the percentage devoted to programme activities declined from 52 per cent in 1972 to 48.9 per cent in 1973. While the Advisory Committee again draws attention to this situation, it recognizes that the considerations mentioned in paragraphs 140-142 of the report of the Executive Director to the General Assembly at its twenty-ninth session are relevant. 19/

25. In paragraphs 18 to 22 of its report on the Institute, the Board records follow-up action on recommendations made in earlier reports. 18/ The Board observes that the accounts once again were not submitted on time and that, while real property tax has been paid under protest, no further approach had been made during the period under review to the appropriate authorities for obtaining exemption from payment of these taxes. With regard to its earlier comments on sales publications, the Board reported that the audit of the accounts for the year ended 31 December 1973 revealed considerable improvement; it was observed, however, that cash receipts were not issued on machine-numbered receipts as the Board had recommended to ensure effective checks.

G. Voluntary Funds administered by the United Nations High Commissioner for Refugees

26. The Advisory Committee has no comments on the report of the Board of Auditors on the accounts and financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees for the year ended 31 December 1973. 20/

27. The Committee has taken note of a report of the Board of Auditors on the accounts and financial statement of the United Nations focal point operations in India, as administered by the High Commissioner, for the year ended 31 December 1973. The latter report is, however, in the nature of a progress report as the audit has not been completed. The Board will submit its complete report to the General Assembly on the focal point operations as soon as it is in a position to complete its examination of the final accounts, at which time the Advisory Committee will review the Board's report and submit its observations thereon.

H. Fund of the United Nations Environment Programme

28. The Advisory Committee has examined the report of the Board of Auditors on the accounts of the Fund of the United Nations Environment Programme for the

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19/ Ibid., Supplement No. 14 (A/9614).

20/ Ibid., Supplement No. 7E (A/9607/Add.5), chap. III.

year ended 31 December 1973. 21/ This is the first such report by the Board and the statements it received are the Fund's first financial statements.

29. In paragraph 9, the Board reveals several problems concerning the use of consultants by the Environment Programme. Although an appropriation of \$50,000 was made for the engagement of consultants, the expenditure on this account amounted to \$218,725. Moreover, it appears that, contrary to the Personnel Directives issued by the Director of Personnel, 22/ Special Service Agreements were being used to employ consultants on a long-term and/or full-time basis and approval of the appropriate authority was not obtained in cases involving compensation exceeding \$5,000. The Advisory Committee notes the Board's suggestion that, in order to meet the special needs of UNEP, formal approval for a departure from the Directive be sought so as to permit the employment of consultants for longer periods. The Advisory Committee favours a cautious approach in this area, bearing in mind the observations made in the Joint Inspection Unit report on the use of experts and consultants in the United Nations (A/9112 and Corr.1). It recommends that the Executive Director of UNEP submit a report on the question of the employment of consultants so that appropriate action may be taken by the competent organs.

30. The Committee notes from paragraph 12 of the Board's report that programme support and administrative costs constitute 45 per cent of the total costs of UNEP and that the Board has expressed the hope that the position in this regard will improve as the Programme comes into full operation.

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21/ Ibid., Supplement No. 7F (A/9607/Add.6), chap. IV.

22/ Personnel Directive 4/63 dated 15 July 1963.