



General Assembly

Distr.
GENERAL

A/45/457
28 August 1990

ORIGINAL: ENGLISH

Forty-fifth session
Item 120 of the provisional agenda*

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

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly the summary of the principal findings and conclusions for remedial action of the Board of Auditors, contained in its reports to the General Assembly on the audit of the accounts for the financial period ended 31 December 1989, prepared by the Board of Auditors in accordance with General Assembly resolution 44/183 of 19 December 1989.

* A/45/150 and Corr.1.

ANNEX

Letter of transmittal

25 June 1990

Sir,

I have the honour to transmit to you, in accordance with the request by the General Assembly in resolution 44/183, the document summarizing the Board of Auditors' principal findings, conclusions and recommendations of common interest, classified by audit area and, where appropriate, identifying the audited organization contained in its reports to the General Assembly on the audit of the accounts for the financial period ended 31 December 1989.

Accept, Sir, the assurances of my highest consideration.

(Signed) O. T. PREMPEH
Auditor-General of Ghana
and Chairman of the
United Nations Board of Auditors

The Secretary-General of the United Nations
New York, N.Y.

/...

Concise summary of principal findings, conclusions and recommendations of common interest, classified by audit area, contained in the reports of the Board of Auditors to the General Assembly on the audit of the accounts of organizations for the financial period ended 31 December 1989

1. In paragraph 9 of its resolution 44/183 of 19 December 1989, the General Assembly recommended that the Board of Auditors continue to submit to it a concise document summarizing its principal findings, conclusions and recommendations of common interest, classified by audit area and, where appropriate, identifying the audited organization.

2. The findings, conclusions and recommendations included in the present report are only those of relative importance in audit areas of common interest to the organizations being reported on. Findings, conclusions and recommendations that are not of common interest to the organizations audited will be found in the individual reports.

3. Because 1989 was the last year of the biennium 1988-1989, the Board of Auditors prepared reports on organizations both on a biennial and an annual financial period. They are listed below:

United Nations a/

United Nations Development Programme (UNDP) b/

United Nations Children's Fund (UNICEF) c/

Voluntary Funds Administered by the United Nations High Commissioner for Refugees (UNHCR) d/

United Nations Population Fund (UNFPA) e/

United Nations Habitat and Human Settlements Foundation f/

United Nations Environment Programme (UNEP) g/

International Trade Centre h/

United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) i/

United Nations Institute for Training and Research (UNITAR) j/

United Nations University k/

4. The Board also examined the accounts of the United Nations Joint Staff Pension Fund, and the audit report thereon will be included in the report of the United Nations Joint Staff Pension Board.

5. The principal findings, conclusions and recommendations of common interest, classified by audit area, follow.

Budgetary control

6. At the United Nations, it has been recommended to give utmost importance to the budget performance report to prevent the exceeding of appropriations. It is apparent that expenditure controls in relation to allotments and total appropriations are not effectively exercised; as a result, it has become customary to seek approval for transfers between sections of the budget in order that no section finally exceeds its appropriations. Although the General Assembly, with the concurrence of the Advisory Committee on Administrative and Budgetary Questions, has given authority to the Secretary-General to transfer credits between sections of the budget, the Board recommended that further improvement of techniques for estimating expenditures, especially in the final performance report, could minimize the incidence of transfers between sections of the budget.

7. In UNITAR, expenditures exceeded allotments in both general and special purpose grant funds. The Board has reiterated its recommendations that expenditures should not be allowed in excess of allotments and that they should be limited within the approved budget.

8. In UNDP, the accounting policy regarding unliquidated obligations at year-end should be clarified in order to remove the uncertainty in reported expenditure.

9. At the International Trade Centre, unliquidated obligations related to technical co-operation activities increased significantly over comparable periods at the end of 1987 and 1985, which may be partly attributed to changes in the pattern of expenditures. The Board is of the opinion that this situation should induce the administration to carry out a thorough analysis of the operational aspects of project implementation to ensure a smoother delivery of project output over the whole financial period.

Accounts and financial reporting

10. In UNDP and UNFPA, improvements were noted in 1989 with respect to the timely audit of programme expenditure by executing agencies, Governments and other non-governmental organizations. However, the proportion of unaudited programme expenditure to total programme expenditure remains too high to allow for the expression of an unqualified opinion. The Board recommended that increased efforts be made to obtain audited statements in time to allow for a clear opinion on the financial statements of these two organizations.

11. In UNICEF, a total expenditure of \$8.3 million incurred on the Emergency Reserve Fund during the biennium was not disclosed separately in statement VI, but rather, was distributed among general resources programme expenditure in the

respective countries to which allocations from the Fund were made. The Board is of the opinion that this expenditure should be disclosed separately in statement VI. In addition, as a stated accounting policy, cash advances to Governments are reported as programme expenditures whether they have been fully utilized or not. The Board recommended that, in order to treat advances as expenditures, there must be sufficient evidence on the full utilization of such advances for the purposes intended. Furthermore, the review of procedures for financial reporting on programme activities indicated that, as a result of inadequate or incorrect financial information, a significant number of accounting data is rejected by the computer and placed in a suspense account. The Board recommended that, in order to ensure accuracy and reliability of accounting data, effective action should be taken to improve the coding of accounts and to enhance the integrity of data at the field office level.

12. In UNFPA at the end of 1989, about 30 government-executed projects showed significant outstanding advance balances and, for 13 of them, no expenditure had been reported for at least two years. However, the balance of unspent advances of 11 projects represented several times the last two years' expenditures. The Board recommended that, in cases like these, no new advances should be granted and that the charging of interest on unspent balances of advances should be considered.

13. In UNHCR, food aid is a major component of its refugee assistance programmes; however, adequate information on world-wide food assistance is lacking in the financial statements. According to the records of Supplies and Food Aid Service, 1989 food aid from three major sources amounted to 1,353,384 metric tonnes, with a value of \$307,105,209. The Board is of the opinion that this information, which is useful to the UNHCR Executive Committee and others, should be disclosed in an annex to the financial statements.

14. In UNDP and UNFPA, guidelines are still lacking to delineate appropriately programme expenditure, programme support and administrative expenditure. The Board reiterated its recommendation that comprehensive and specific guidelines should be issued and implemented in order to clarify the presentation of these expenditures in statement I.

Cash management

15. At the United Nations Habitat and Human Settlements Foundation, the existing organizational arrangements for the management of cash require further improvement and it was recommended that, within the limitations of staff resources, consideration should be given to the establishment of clearly defined lines of authority and responsibilities to enhance accountability.

16. Payment of bills in UNICEF, in particular, for rent and telephone, are not always timed to take full advantage of credit periods. It was recommended that payment of bills should be delayed as far as possible in order to maximize returns on these moneys.

Technical co-operation and project activities

17. In UNHCR, the limitations in the monitoring of project expenditures imposed by inadequate staff resources and other budgetary constraints make it obligatory that effective arrangements be established to ensure that project funds administered by implementing agencies are adequately monitored and efficiently controlled. The Board recommended that action be taken to improve the staffing position of finance officers in the major field offices. In addition, a provision for an audit certificate should be incorporated in all agreements with implementing agencies.

18. In UNICEF, effective programme delivery was noted to be one of the major preoccupations of UNICEF during the biennium. However, our review of programme execution, by project globally, indicated much room for improvement in the delivery of both supplementary-funded and general resources projects. There is also the need for caution in the reallocation of funds from slow-moving projects to fast-moving ones, so that the policy does not result in the unconscious neglect of projects located in "difficult" areas with perennial implementation problems. The Board recommended that project planning should adequately articulate implementation requirements to enhance programme delivery. Furthermore, circumspection is advised in the reallocation of funds from slow-moving projects to fast-moving ones. In addition, the monitoring of project implementation needs further improvement so that over-expenditures that would otherwise be absorbed by general resources in the absence of supplementary funding could either be eliminated or kept to the minimum.

19. In the United Nations Habitat and Human Settlements Foundation, several factors were identified as contributing to the non-completion of projects within due dates. The Board recommended that improvements would be obtained, *inter alia*, by eliminating delays in the signing of project documents, more adequate monitoring of projects and effective procurement action. In addition, sufficient lead time should be allowed, especially in personnel recruitment. Furthermore, project objectives and outputs should be effectively determined in order to ensure their realization.

Trust funds and special accounts

20. In UNHCR, the acceptance and utilization of an unearmarked trust fund for the payment of hospitality and staff travel costs was not consistent with the aims, policies and activities of the organization as required in article VI, rule 6.8, of the Financial Rules for Voluntary Funds or with United Nations Financial Regulations and Rules. The Board recommended that the requirements of these regulations and rules should be complied with at all times.

21. In UNDP, the number of trust funds and sub-trust funds increased to a total of 113 by year-end 1989. The impact of such an increase, as far as administrative work-load and overall efficiency of management are concerned, needs to be taken into consideration before new funds are established.

Notes

a/ Official Records of the General Assembly, Forty-fifth Session, Supplement No. 5 (A/45/5), vol. I.

b/ Ibid., Supplement No. 5A (A/45/5/Add.1).

c/ Ibid., Supplement No. 5B (A/45/5/Add.2).

d/ Ibid., Supplement No. 5E (A/45/5/Add.5).

e/ Ibid., Supplement No. 5G (A/45/5/Add.7).

f/ Ibid., Supplement No. 5H (A/45/5/Add.8).

g/ Ibid., Supplement No. 5F (A/45/5/Add.6).

h/ Ibid., Supplement No. 5 (A/45/5), vol. II.

i/ Ibid., Supplement No. 5C (A/45/5/Add.3).

j/ Ibid., Supplement No. 5D (A/45/5/Add.4).

k/ Ibid., Supplement No. 5 (A/45/5), vol. III.
