



General Assembly

Distr.
GENERALA/40/635
16 September 1985

ORIGINAL: ENGLISH

Fortieth session
Item 115 of the provisional agenda*

FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS,
AND REPORTS OF THE BOARD OF AUDITORSReport of the Advisory Committee on Administrative
and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions met with the Board of Auditors in June 1985 and discussed with it the Board's reports to the General Assembly on the financial accounts of the United Nations Development Programme, 1/ the United Nations Children's Fund, 2/ the United Nations Relief and Works Agency for Palestinian Refugees in the Near East, 3/ the United Nations Institute for Training and Research, 4/ the voluntary funds administered by the United Nations High Commissioner for Refugees, 5/ the United Nations Fund for Population Activities, 6/ and the United Nations Industrial Development Fund, 7/ all for the year ended 31 December 1984. The Advisory Committee's observations on the report of the Board on the accounts of the United Nations Joint Staff Pension Fund 8/ for the year ended 31 December 1984 will be submitted separately to the General Assembly at its fortieth session in a report that will also include the Committee's recommendations on the report of the United Nations Joint Staff Pension Board.

A. United Nations Development Programme

2. In connection with paragraph 16 of the Board's report on UNDP 1/ regarding the collection of government contributions, the Advisory Committee has been informed that of the total unpaid amount of \$43.2 million (as at 31 December 1984) \$25.5 million had been collected by 30 June 1985.

3. In paragraphs 15, 17 and 18 the Board notes that, notwithstanding an increase in UNDP revenue from \$57.9 million (as at 31 December 1983) to \$116.5 million (as at 31 December 1984), Indicative Planning Figure (IPF) expenditures continued to

* A/40/150.

decrease in 1984, and, as in 1983, remained \$63 million below the planned programme delivery target of \$500 million. The Advisory Committee notes from paragraph 3 of the observations of the UNDP Administrator that, based on the result of a joint study with the agencies, a series of measures have been initiated to improve programme delivery.

4. In paragraphs 24 and 25 of its report, the Board draws attention to cases where contractual agreements for temporary assistance and consultants were not formalized until after the services had commenced or been completed. This problem also exists in UNICEF (see para. 9 below). The Advisory Committee notes from paragraph 6 of the observations of the UNDP Administrator that guidelines regarding contractual arrangements for experts and consultants have been updated; the Committee expects that these guidelines will be strictly enforced.

5. Procurement practices are considered in paragraphs 27 to 44 of the Board's report on UNDP as well as in the reports on UNRWA (paras. 23-36), and UNHCR (paras. 42-49). The Board draws attention to areas where financial regulations, rules and policies have not been fully complied with, inter alia, competitive bidding on the basis of equitable geographical distribution, contractor selection procedures, the role of the Committee on Contracts and emergency procurement procedure for proprietary vehicle spare parts. The Advisory Committee shares the concerns of the Board and urges that respective administrations pay closer attention to all aspects of the procurement process to ensure full compliance with applicable rules.

6. The Board's review of capital assets concentrates on housing construction carried out under loan agreements with Governments. As indicated in paragraphs 53 to 70, certain difficulties have arisen with regard to title and ownership of rental income deposited in "advance recoverable locally" (ARL) accounts for repayment of the loan to UNDP headquarters, the fixing of the level of rents and the term of loan repayment. The Advisory Committee notes that the Administration is taking steps to resolve these problems.

B. United Nations Children's Fund

7. In paragraphs 11 to 23 of its report on UNICEF 2/ as well as in its reports on UNHCR (paras. 12-15) and UNFPA (paras. 13-20), the Board of Auditors discusses budgetary control, and the need for more effective monitoring, in the field, of compliance with existing budget instructions.

8. In its discussion of expenditures for established posts (paras. 21-23 of the Board's report), the Board draws attention to the fact that staff costs for 20 supernumeraries, as well as for a number of personnel in abolished international professional core posts, have been charged to this object of expenditure. The Board has recommended the formulation of a well-defined and written policy on supernumeraries. The Advisory Committee intends to follow this up in the context of future UNICEF budget submissions.

9. On the question of special services agreements (SSA) (para. 24 of the Board's report), the Board notes four cases where total emoluments had exceeded the \$12,000 limit per calendar year that is stipulated in section VIII, paragraph 3 of General Assembly resolution 37/237 of 21 December 1982. The Board also notes that, in the

/...

majority of cases, SSAs are signed only after the consultants have commenced working. The comments of the Advisory Committee on retroactive signature of contracts may be found in paragraph 4 above.

10. In paragraphs 28 and 29 of its report, the Board draws attention to the standards of accommodation for air travel of UNICEF staff members. In 1984 UNICEF decided to apply the fare of the class immediately below first class for flights of six hours or longer. The Advisory Committee takes note of the Board's observation in paragraph 29 that, effective 1 January 1985, UNICEF has applied this fare only for flights exceeding nine hours, in line with standard United Nations practice.

11. In paragraphs 34 to 37 of its report, the Board notes weaknesses in inventory control. The Advisory Committee is of the view that proper management, especially adequate control of UNICEF property, is essential if losses are to be avoided. The Advisory Committee fully shares the views of the Board as expressed in paragraph 36 and trusts that steps will be taken to improve inventory systems.

12. In paragraphs 53 and 54 of its report, the Board points out the difficulties resulting from the use of different reporting periods by the Greeting Card Operation (GCO) and UNICEF. The Board draws attention to the Advisory Committee's recommendation that UNICEF consider establishing its own financial regulations and rules. 9/ The Advisory Committee understands that the Administration will pursue this matter and will report to the 1986 Executive Board on the question of establishing financial regulations and rules for UNICEF. 10/

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

13. In paragraphs 18 to 22 of its report on UNRWA, 3/ the Board draws attention to the practice of paying a language allowance to those staff members, based at Vienna, whose mother tongue is not English but who have passed an English-language examination. The Advisory Committee shares the views of the Board that, as stipulated in Staff Rule 103.6 (a), 11/ language allowance is payable for knowledge of an official language other than the language in which the staff member is required to be proficient by the terms of his or her appointment. In this connection the Advisory Committee notes from paragraph 3 of the observations of the Commissioner-General of UNRWA that this practice has been discontinued.

14. Procurement practices are considered in paragraphs 23 to 36. The comments of the Advisory Committee may be found in paragraph 5 above.

D. United Nations Institute for Training and Research

15. Technical co-operation activities are considered in paragraphs 17 to 22 of the Board's report on UNITAR. 4/ The Board discusses weaknesses in the policies and procedures relating to project planning, implementation, monitoring, evaluation and financial administration. The Advisory Committee notes the intention of the Administration to formalize the principles and practices governing its project management.

/...

E. Voluntary funds administered by the Office of the United Nations High Commissioner for Refugees

16. In paragraphs 12 to 15 of its report on UNHCR 5/ the Board discusses budgetary control (see para. 7 above).

17. In connection with paragraph 27 regarding the collection of government contributions, the Advisory Committee has been informed that of the total unpaid amount of \$9,014,105 (as at 31 December 1984), \$3,814,057 had been collected by 31 July 1985.

18. Procurement practices are discussed in paragraphs 42 to 49. The comments of the Advisory Committee may be found in paragraph 5 above.

19. In paragraphs 54 to 57 the Board draws attention to a case of presumptive fraud involving the purchase by an implementing agency of tents, beds, blankets and bedsheets through fictitious companies at substantial mark-ups that has resulted in a loss of approximately \$400,000. The Advisory Committee has been informed that legal proceedings have not yet been completed and that action to recover the amount in question would have to await the completion of these proceedings.

F. United Nations Fund for Population Activities

20. In paragraphs 13 to 20 of its report on UNFPA 6/ the Board discusses budgetary control (see para. 7 above).

21. In connection with paragraph 24 of the Board's report regarding the collection of government contributions, the Advisory Committee has been informed that, as at 31 July 1985, there continues to be an outstanding amount of \$807,083. The Advisory Committee was also informed that UNFPA was continuing its efforts to secure payment.

G. United Nations Industrial Development Fund

22. The Advisory Committee has no comments regarding the Board's report on the accounts of the United Nations Industrial Development Fund. 7/

Notes

1/ Official Records of the General Assembly, Fortieth Session, Supplement No. 5A (A/40/5/Add.1).

2/ Ibid., Supplement No. 5B (A/40/5/Add.2).

3/ Ibid., Supplement No. 5C (A/40/5/Add.3).

4/ Ibid., Supplement No. 5D (A/40/5/Add.4).

5/ Ibid., Supplement No. 5E (A/40/5/Add.5).

Notes (continued)

- 6/ Ibid., Supplement No. 5G (A/40/5/Add.7).
- 7/ Ibid., Supplement No. 5I (A/40/5/Add.9).
- 8/ Ibid., Supplement No. 9 (A/40/9).
- 9/ E/ICEF/1985/AB/L.2.
- 10/ E/ICEF/1985/AB/L.8.
- 11/ ST/SGB/Staff Rules/1/Rev.6, 103.6 (a).
