



SUMMARY RECORD OF THE 7th MEETING

Chairman: Mr. FONTAINE-ORTIZ (Cuba)

Chairman of the Advisory Committee on Administrative and
Budgetary Questions: Mr. MSELLE

CONTENTS

AGENDA ITEM 109: FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS
OF THE BOARD OF AUDITORS (continued)

- (a) UNITED NATIONS (continued)
- (b) UNITED NATIONS DEVELOPMENT PROGRAMME (continued)
- (c) UNITED NATIONS CHILDREN'S FUND (continued)
- (d) UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR
EAST (continued)
- (e) UNITED NATIONS INSTITUTE FOR TRAINING AND RESEARCH (continued)
- (f) VOLUNTARY FUNDS ADMINISTERED BY THE UNITED NATIONS HIGH COMMISSIONER FOR
REFUGEES (continued)
- (g) FUND OF THE UNITED NATIONS ENVIRONMENT PROGRAMME (continued)
- (h) UNITED NATIONS FUND FOR POPULATION ACTIVITIES (continued)
- (i) UNITED NATIONS HABITAT AND HUMAN SETTLEMENTS FOUNDATION (continued)
- (j) UNITED NATIONS INDUSTRIAL DEVELOPMENT FUND (continued)

*This record is subject to correction. Corrections should be sent under the signature of a member of the delegation concerned within one week of the date of publication to the Chief of the Official Records Editing Section, room DC-750, 2 United Nations Plaza, and incorporated in a copy of the record.

Corrections will be issued after the end of the session, in a separate fascicle for each Committee.

Distr. GENERAL
A/C.5/41/SR.7
10 October 1986

The meeting was called to order at 10.30 a.m.

AGENDA ITEM 109: FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS (continued) (A/41/5, vols. I, II, III and Corr.1, Add.1 and Add.1/Corr.1, Add.2 and Add.2/Corr.1, Add.3-9, A/41/402 and Corr.1, A/41/632; A/C.5/41/CRP.1)

- (a) UNITED NATIONS (continued)
- (b) UNITED NATIONS DEVELOPMENT PROGRAMME (continued)
- (c) UNITED NATIONS CHILDREN'S FUND (continued)
- (d) UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST (continued)
- (e) UNITED NATIONS INSTITUTE FOR TRAINING AND RESEARCH (continued)
- (f) VOLUNTARY FUNDS ADMINISTERED BY THE UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES (continued)
- (g) FUND OF THE UNITED NATIONS ENVIRONMENT PROGRAMME (continued)
- (h) UNITED NATIONS FUND FOR POPULATION ACTIVITIES (continued)
- (i) UNITED NATIONS HABITAT AND HUMAN SETTLEMENTS FOUNDATION (continued)
- (j) UNITED NATIONS INDUSTRIAL DEVELOPMENT FUND (continued)

1. Mr. FORAN (Assistant Secretary-General, Controller) said that the comparative analysis of the short-term deficit of the United Nations as at 31 December 1985 and 1983, presented in annex II to the accounts of the United Nations (A/41/5, vol. 1), showed no entries for unpaid assessments relating to the Emergency Force (1956) or the Operation in the Congo because of certain definitions and agreements concerning the short-term deficit which had been reached by the Ad Hoc Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies in 1966. Using those definitions and agreements, the Special Committee on the Financial Situation of the United Nations had, in 1972, agreed upon a basis for presenting an analysis of the short-term deficit, and it had also been agreed that the short-term deficit for the Emergency Force and the Congo operation would be shown as the excess of obligations incurred over funds available.

2. The analysis of the short-term deficit had been presented essentially the same way since then, except that the Negotiating Committee on the Financial Emergency had later decided that current deficits in the regular budget, the 1973 Emergency Force, UNDOF and UNIFIL, as reflected in the comparative analysis of the short-term deficit, should specify the amounts which Member States announced they would withhold.

3. Although the unpaid assessments for the 1956 Emergency Force and the Operation in the Congo were not shown in annex II to the accounts, they could be reconciled to the amounts shown therein.

/...

4. Mr. DEVREUX (Belgium) remarked that the controller had said that internal budgetary controls in the United Nations were good but could be improved. His delegation welcomed that information and looked forward to hearing proposals from the Secretariat for further improving budget controls, by, among other things, speeding and streamlining budget procedures.
5. In response to the suggestion concerning a stabilization fund for currency fluctuations, the Controller had pessimistically referred to the serious technical difficulties involved. His delegation recognized that there were difficulties, but pointed out that problems of that kind had been solved many times over by other intergovernmental bodies, transnational corporations and so forth. The Controller had also said that there was a great risk that any such fund would be diverted to other purposes, for which remark he should be thanked for his frankness.
6. The Controller had said that the sums involved in cases where appropriations had been exceeded for lack of financial discipline were very small. Such cases of overspending should nevertheless be specifically identified in the budget reports submitted to the Fifth Committee.
7. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions), replying to a question from the representative of Yemen on cash management systems, said that the corrective measures which ACABQ had had in mind in drafting paragraph 76 of its report (A/41/632) were those recommended by the Board of Auditors in its analysis of cash management in UNHCR (A/41/5/Add.5, paras. 82 to 94).
8. The Algerian and Belgian representatives had raised the question of a special fund to address the issue of currency fluctuations. Currency fluctuations had been a subject of concern to ACABQ for many years, but it had concluded that, although such a fund worked fairly well in the context of smaller agencies and organizations, there were a number of technical problems in the case of the United Nations. He suggested that the matter could best be discussed in the context of a report to come from the Secretary-General on the form of presentation of the program budget.
9. Mr. MICHALSKI (United States of America) said that the Assistant Secretary-General for General Services had explained the discrepancy between falling hours of overtime worked and rising outlays on overtime by changes in night differential and overtime rates. He inquired whether those changes had been brought before the Fifth Committee for its endorsement.
10. The Assistant Secretary-General had also said that supporting documents for the advances to the caterer, referred to in paragraphs 110 (c) and (d) of the auditors' report (A/41/5, vol. I), had not been submitted to the Board of Auditors. He wondered whether they had been supplied to ACABQ, why no documents had been available for advances paid as early as April 1982, and also why the Secretary-General, in paragraphs 26 to 35 of his observations on the report of the Board, had not seen fit to refer to the matter.

11. Mr. MAKTARI (Yemen), observing that, according to the reply given by the Under-Secretary-General for Administration and Management, the judicial procedures relating to the cases of presumptive fraud discovered were not yet complete, asked why action had already been taken in a number of cases. He was also perturbed by the information in paragraph 33 of the ACABQ report (A/41/632) that although, in one case, the Joint Disciplinary Committee had recommended dismissal of a staff member, the Secretary-General had decided only on demotion.
12. Mr. MUDHO (Kenya) said that he wished to correct a press release of the previous day which reported him as saying that delegations should not concern themselves with disciplinary matters. While a case was sub judice, it was inappropriate for any member of the Fifth Committee to make comments that might prejudice the outcome, but justice must be seen to be done, and similar cases must be treated in a similar manner. Member States had a legitimate interest in ensuring that the Secretary-General was even-handed in dealing with disciplinary and other matters.
13. Mr. RUEDAS (Under-Secretary-General for Administration and Management), responding to the points made by the representative of Yemen, said it was not possible in a political body to inquire into the enormously complex and varying circumstances that arose in disciplinary cases. A voluminous body of evidence invariably accumulated before any such case was submitted to the Secretary-General. All disciplinary cases must, naturally, be judged by the Secretary-General on their merits. He agreed that offences of equal magnitude should be dealt with in the same way, but establishing whether offences were indeed of equal magnitude required a great deal of prudence.
14. The judicial process was not over because, in a number of cases, appeals had been entered against dismissal. Until the appeal procedure was complete it was not possible to say whether sanctions would be applied.
15. In the Secretary-General's and the Kenyan representative's view, any person in authority must bear a degree of accountability. The Secretary-General was, of course, accountable to Member States under the procedures and within the periods stipulated for that purpose.
16. Ms. WEIL (Assistant Secretary-General for General Services) said that the amounts quoted by the auditors in paragraphs 110 (c) and (d) of their report (A/41/5, vol. I) did not take into account payments already in the pipeline but not yet cleared through the bank. In the case of the \$625,261, referred to in paragraph 110 (c), that explanation had been given to the Board of Auditors but, owing to an oversight, had not been reflected in its report. The fact that, under the system then in effect, payments by the contractor were not necessarily shown, had been a recurrent problem. The final audit - now under way - of the catering operation under the old contract would show the true ultimate balance of the accounts.
17. The sums referred to in paragraph 110 (d) of the Board's report were advances made by the Organization to the caterer for salary payments, insurance premiums, group insurance coverage and other such costs. The extensive supporting

(Ms. Weil)

documentation for those payments had become available to the Accounts Division too late for reflection in the Administration's responses to the auditors' comments, but it would be covered in the final audit.

18. Mr. RAHMAN (Bangladesh) reminded the Administration that it had not yet provided the requested information on absenteeism.

19. Mr. MICHALSKI (United States of America) asked whether the findings of the final internal audit on the catering operation would be made available to ACABQ.

20. Mr. FORAN (Assistant Secretary-General, Controller) said that overtime payments formed part of the salary structure only for General Service and related categories. Rates for overtime and holiday work were promulgated by the Secretary-General on the advice of the International Civil Service Commission. While salary scales and conditions of work for the General Service and related categories were not subject to endorsement by the Fifth Committee, they were reported to it during the initial presentation of each programme budget and in the event of any subsequent change.

21. Mr. RUEDAS (Under-Secretary-General for Administration and Management) said that the staff rules and any changes thereto, including those relating to entitlements, were reported annually to the Fifth Committee. Accordingly, any changes, including any relating to overtime or night differential, would come before the Committee during its consideration of the agenda item on personnel questions.

22. With regard to absenteeism, he would appreciate a private conversation with the representative of Bangladesh in order to ascertain exactly which details he required, with a view to making a formal reply to the Committee.

23. In response to the question from the representative of the United States concerning the manner in which audit findings were brought to the attention of ACABQ, he stated that a copy of every report prepared by the internal auditors was provided to the external auditors, who could then use them as they saw fit, even including elements thereof in their own report. ACABQ was then free to comment on that report. There was thus no guarantee that any audit report on the catering operation would come to the attention of ACABQ, but he assumed that such would be the case.

24. The CHAIRMAN said that, if he heard no objection, he would take it that the representative of Bangladesh agreed to accept the suggestion made by the Under-Secretary-General.

25. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that paragraph 22 of document A/41/632 clearly indicated that an audit of the catering contract would be provided to ACABQ.

26. Mr. BROWN (Associate Administrator, United Nations Development Programme), replying to a question from the representative of Canada, said that a separate item on consideration of the audit report was included in the agenda of the Governing Council of UNDP and that, in view of the importance attached by the Council to the report, debate on that item had sometimes lasted for a whole day.

27. With regard to the rental subsidy scheme, he pointed out that, of the amount owing at the time of the audit report, namely \$208,000, a total of \$174,000 had either been recovered or was due to be recovered shortly. If the outstanding total of \$34,000, which had to be recovered from former staff members of UNDP, was not paid voluntarily, legal action would be instituted. Meanwhile, a change had been made in the rental subsidy system to ensure the application of automatic salary deductions to each officer participating in the scheme.

28. In response to questions relating to cases of fraud, he confirmed that 20 suspected cases of education fraud had been uncovered in UNDP, of which 15 had been cleared and five remained under investigation. As for the 16 cases of income tax fraud uncovered, 10 staff members had resigned and all amounts owed by them to UNDP had been recovered, while 6 cases remained under investigation. Of a total of \$58,000 owing to UNDP as a result of other fraud cases, \$41,000 had been recovered, \$11,000 was in the process of being recovered and \$6,600 had been written off.

29. A concern raised in the audit report and subsequently referred to by various representatives, particularly the representative of India, concerned the liquidity position and delivery record of UNDP. In order to avoid a misunderstanding of the UNDP position, which could seriously jeopardize efforts to obtain contributions from donor Governments, the amount referred to in the financial statements as being available to UNDP as at 31 December 1985, namely \$748 million, should be divided into four principal categories. The first, which amounted to \$206 million, belonged to trust funds set up by various resolutions of the General Assembly or other bodies for certain specific purposes and could not be used by UNDP for general purposes. Most of the projects covered by such funds consistently maintained substantial balances because there was no guarantee that any additional contributions would be made available to them.

30. The second category, consisting of funds set up by the Governing Council or the Administrator, amounted to \$134 million at the end of 1985. Such funds, which included Governments' cost-sharing contributions, could be used only for the purposes specified and would also maintain substantial balances in order to ensure the avoidance of any risk to UNDP central funds.

31. The third category, amounting to \$225 million, included an operational reserve of \$200 million and a reserve for construction totalling \$25 million. Since regular indicative planning figure (IPF) programmes, unlike programmes operated through trust funds, operated on the basis of an expectation by UNDP that donors would provide annual contributions as projects progressed, UNDP entered, in such cases, into commitments in excess of the monies available to it. In order to guard against the possibility of a downturn in contributions in any year, the Governing Council had mandated the Administrator to hold an amount of \$200 million liquid and intact at all times in order to prevent a recurrence of the financial crisis of 1976, when no reserves had been available to be drawn down. The reserve for

/...

(Mr. Brown)

construction had been established by the Governing Council specifically to assist countries which did not have sufficient accommodation available for experts, through the provision of loans for the building of houses.

32. The remaining figure of some \$140 million constituted the true balance available to UNDP on 31 December 1985. That balance had, however, declined to \$43 million by 30 June 1986. Experience had shown that UNDP generally needed a balance of \$100 million in order to cope, not with reductions in contributions, which were of a permanent nature, but simply with delays in the payment of contributions. Any comments on the level of unused funds at the end of June 1986 should be made with reference to a figure of \$43 million, which did not appear unduly excessive for an organization of the size of UNDP.

33. The audit report indicated an IPF programme delivery target of \$500 million for 1985, and there were signs that the increased target of \$540 million for 1986 would be successfully met. Problems might emerge in 1987, mostly as a result of the fact that country programmes would not be approved by the Governing Council until 1987, while Governments would not commit funds to projects until such approval was obtained. It was, however, the intention of UNDP to maximize delivery as far as possible in 1987. A further problem of recent years was the inability of certain developing countries to meet counterpart expenditures, and it was important for UNDP to consider whether it should take up an increased amount of local costs.

34. With reference to forecasts for contributions up to 1991, it was expected that UNDP accounts would remain in balance until the first half of 1989 but, unless there was an improvement in the level of contributions, a deficit was likely to emerge in the latter part of that year and to continue through 1990 and 1991.

35. Mr. UPTON (United Kingdom), referring to the observation in paragraph 32 of the audit report (A/41/5/Add.1) that the auditors' review on the cost effectiveness of travel was to a great extent hampered by lack of information on the justification for travel, asked why it had taken so long for UNDP to organize a system of accountability.

36. Mr. ROY (India) said that he would appreciate explanations relating to the reserve funds of other organizations, pursuant to paragraph 5 of General Assembly resolution 40/238. Referring to the two figures given by the Associate Administrator for the balances available to UNDP in December 1985 and June 1986, he requested details of the average level of such balances. He also requested information on the rates of return obtained by UNDP through investment of the substantial balances available to it, since the return on such investments should provide considerable income for development programmes.

37. Mr. BROWN (Associate Administrator, United Nations Development Programme), replying to the question raised by the representative of the United Kingdom, said that action had already been taken on the matter, as indicated in paragraph 34 of document A/41/5/Add.1. Justification had always been required for travel, but the related paperwork had lagged behind. The recent imposition of more stringent travel regulations would require the submission of quarterly travel plans in advance. While a distinction must be made between administrative and project

(Mr. Brown)

travel, much of which could not easily be anticipated, the Administration of UNDP was very concerned by problems relating to travel.

38. In reply to the questions raised by the representative of India, he said that the two figures given for December 1985 and June 1986 represented the approximate maximum and minimum limits of the average monthly balance available to UNDP. He could provide accurate monthly figures at a later meeting of the Committee, if necessary. With respect to rates of return, he drew attention to schedule 18 in document A/41/5/Add.1, which gave details of the yields on all investments held by UNDP. However, the interest earned on trust funds could only be reinvested in those funds and could not be used to finance any non-related programmes.

39. Mr. KNOTSSON (Deputy Executive Director, Operations, UNICEF), responding to questions, said that UNICEF had reacted in a serious and constructive manner to the grave observations made by members of the Committee. UNICEF sought to manage the resources made available to it with increasing effectiveness, and took its responsibilities to donors very seriously.

40. The Fund had, over the years, reduced its headquarters staff while strengthening field staff to the extent that some 83 per cent of the staff were now in the field. In 1986 travel and consultancy costs would be reduced below the levels approved by 25 per cent and 40 per cent respectively, and, despite an increasing workload, other substantial reductions were being planned. More than 100 posts would be eliminated.

41. UNICEF would diligently eliminate the causes of the repeated criticisms levelled against it. The comment, in respect of consultancy contracts (A/41/5/Add.2, para. 62), that the relevant General Assembly resolution would be adhered to as far as practicable, was unfortunately worded. UNICEF deeply regretted a formulation which might convey a sense of arrogance that was totally unacceptable to it. Of course, not everything could be explained away as unfortunate language.

42. UNICEF submitted the reports of the Board of Auditors and of ACABQ to its Executive Board for analysis and action. With regard to transfers between budget categories and budget lines, under current established procedure the Executive Director was authorized to administer as a unit the total provisions under categories 1 (budget codes relating to staff costs) and 2 (budget codes relating to general operating costs). The Executive Director could, without further authorization by the Executive Board, transfer an amount not exceeding 5 per cent of each category between categories 1 and 2. In fact, in 1985 there had been no transfer of funds between categories. Transfers had taken place only between budget line items within the same category, which was within the authority of the Administration. Transfers had not been made between categories for the acquisition of computer or other capital equipment.

43. With reference to budget controls and savings, mention had been made of the fact that the Administration withheld a portion of the full yearly budgetary allotments from established allotments within the Fund, in order to maintain proper management control of budget expenditures and to provide flexibility in the event

/...

(Mr. Knutsson)

of unforeseen expenditure. That withholding had, in the past, been termed a "reserve". The term was unfortunate, because the savings did not constitute a reserve in the traditional United Nations sense, and had apparently led to a misunderstanding of the procedure and its aim. In 1985 \$3.8 million had been returned to general resources as a result of the practice.

44. Several delegations had commented on the reference, in paragraph 24 of the auditors' report (A/41/5/Add.2), to the authorization by the Budget Review Committee of the purchase of computer equipment. The decision had simply been a management plan for the efficient acquisition of equipment for field offices; there had been no intent to exceed the appropriations in the approved budget. Amortization of the assets reflected proper accounting practice. However, in view of the concern expressed, UNICEF would re-examine its procedures in that area.

45. With regard to the acquisition of field office buildings, UNICEF accepted the Advisory Committee's view that it did not have a separate enabling document authorizing such expenditure, but it had been authorized by the General Assembly to acquire and hold property, and its intent to make such expenditure had been clearly presented to the Executive Board by virtue of its inclusion in the relevant budget documents. Unfortunately, the two cases identified by the Board of Auditors had not been so included. In future every effort would be made to ensure that any such acquisitions were submitted to the Executive Board for prior approval.

46. With regard to the transfer of budgetary obligations to other accounts, it should be noted that the remaining unliquidated obligations pertaining to 1983 and prior years had been cancelled.

47. The Board of Auditors had noted that some \$20,000 had been disbursed in travel expenses for members of the Executive Board. Although it had been felt that the expenditure was justified, as explained by the Executive Director, payment of the expenses had contravened General Assembly resolution 1798 (XVII). UNICEF would, in future, strictly adhere to the provisions of the resolution.

48. With regard to home leave and education grant travel entitlements, action was already under way to recover the amounts improperly paid. Improved controls would be instituted in order to prevent any recurrence of such errors.

49. With respect to overpayments to consultants, in one case the overpayment (\$600) had been minor, which, however, did not diminish the Fund's regret. In the two other cases, UNICEF had hired consultants in order to acquire otherwise unavailable expertise. Nevertheless, in view of the seriousness with which that had been viewed, the practice had been discontinued with immediate effect.

50. The problem with rental subsidies was one of incorrect accounting entries, not of overpayment. An appropriate correction had already been made. Stricter controls had been instituted in respect of approvals and the use of proper coding. Lastly, UNICEF would strictly adhere to established United Nations procedures with respect to repatriation grants and final settlements.

/...

(Mr. Knutsson)

51. UNICEF had a viable programme, which required good management and effective controls. The Fund would continue to work hard to improve its management procedures, guided by the regulations and resolutions in force.

52. The CHAIRMAN remarked that the statement by the Deputy Executive Director would do much to increase confidence in UNICEF.

53. Mr. DEVREUX (Belgium) drew attention to the auditors' observation, in respect of the Greeting Card Operation, that \$1.4 million would have accrued to UNICEF had it kept expenses within the targeted maximum of 25 per cent of gross sales. A commission of 25 per cent was paid to national UNICEF committees, some of which was, in some cases, refunded. The total amount of commission was approximately \$13 million. His delegation wished to know how UNICEF compared the net percentages paid to different national committees after receipt of any refunds and what amount would be saved by UNICEF if the average net rate was equal to the lowest net rate. Finally, what steps was UNICEF taking to facilitate the exchange of information between national committees so that all of them could reduce their costs?

54. Mr. MUDHO (Kenya) said that there seemed to be an implication, in statements made by the representatives of various organizations, that fraud was excusable if the amounts involved were minor in comparison with the resources managed, whereas it was the intrinsic offence that mattered; every fraud warranted serious concern.

55. Mr. UPTON (United Kingdom) said that the representative of UNICEF had remarked on the serious consideration given by its Executive Board to the report of the Board of Auditors (A/41/5/Add.2). His delegation would, however, like a more specific answer to its question about the time actually spent discussing it. While the greeting card operation was an important part of UNICEF's image-building programme and an important generator of income, his delegation had been struck by the variations in the ratio of commissions and expenses to gross sales, ranging from 10 to more than 65 per cent, and therefore concurred in the recommendation in paragraph 150 of the report. It also wondered whether sales in the Asian region were really expected to rise significantly. Regarding the auditors' severe comments in paragraphs 28 to 30 of the report, he requested the UNICEF representative to elaborate on his reference to further dialogue.

56. Mr. MICHALSKI (United States of America) proposed that consideration of the UNICEF report should be suspended until delegations had had an opportunity to study the Deputy Executive Director's statement.

57. Mr. BROWNE (New Zealand) endorsed the United States proposal. If the discussion was to be continued at a later meeting, he would reserve the right to put further questions. The Deputy Executive Director's explanation in regard to paragraphs 23 to 27 of the report had dwelt heavily on the Administration's authority to transfer appropriations. The reason for such authority, however, was to enable the Administration to cope with unforeseen or extraordinary situations, not to transfer funds to deal with planned expenditures. His delegation would like an explanation, therefore, of the policy guidelines followed in transferring funds and an indication of what it was intended to include in the draft financial regulations and rules in order to cover such transfers.

/...

58. Mr. VAHER (Canada) reiterated his delegation's question concerning the presentation of the report to the Executive Board: was the report a regular agenda item at sessions of the Executive Board and how much time had been devoted to its discussion at the 1986 meeting? He trusted that it would appear as an item on the next year's agenda of the Executive Board.

59. Mrs. EMERSON (Portugal) said that paragraph 51 of the report of the Board referred to overexpenditures in 24 field offices and to the case of two offices where the miscellaneous obligating documents had been, in one instance, twice and, in another instance, six times as large as the original estimates. She asked how such discrepancies could arise and what measures were envisaged to improve budgetary discipline. She also wished to know what mechanism was built into the UNICEF budget to adapt allotments to currency fluctuations occurring during the budgetary period in the case of local-currency expenditures.

60. Mr. KNUTSSON (Deputy Executive Director, Operations, UNICEF), referring to the points raised by the representatives of the United Kingdom and Canada on the way in which the report of the ACABQ and that of the Board of Auditors were dealt with in the Executive Board, said that the reports were presented to UNICEF's Committee on Administration and Finance and discussed under a special agenda item. The time devoted to them in the Executive Board itself was substantial. He would reply to all the other points that had been raised at the next meeting.

61. Mr. WITTRIN (Deputy Executive Director, United Nations Fund for Population Activities) said that UNFPA greatly appreciated the observations and recommendations of the Board of Auditors and was fully committed to acting upon them. It intended to improve the matters mentioned in the specific audits of field activities and would follow up the observations relevant to UNFPA headquarters.

62. ACABQ had commented in its report (A/41/632) on two of the Board's observations (paras. 80 and 81). Regarding the first, he confirmed that the Board's recommendation had been implemented in the revised 1986-1987 biennial budget for administrative and programme support services, with the approval of the UNDP Governing Council (decision 86/35). The second comment referred to the audit of education projects implemented by host Governments. It had been agreed that a new approach should be developed in the matter of salary supplements. In 1986, salary supplements to government officials would be discontinued in all projects, and new guidelines were being issued to govern payments to local project personnel. Financial and administrative monitoring would be introduced simultaneously so as to ensure stricter control of local cost payments. With reference to the comments of the representatives of Canada and Pakistan, he assured the Committee that UNFPA would continue to take all necessary steps to ensure sound financial management and budgetary control, particularly since it would be operating in future on a lower income scenario.

63. Mrs. EMERSON (Portugal) said that there was a reference in paragraph 20 of the report on UNFPA (A/41/5/Add.7) to the existence at UNFPA headquarters of posts financed from project funds and asked how many such posts there were, when they had been established and when they had been reported to the Governing Council.

64. Mr. UPTON (United Kingdom) asked whether the report had been an item on the agenda of the Governing Council and how much time had been devoted to discussing it. Referring to the suggestion in the report (paras. 38 to 41) that procurement through the Field Project Procurement Unit (FPPU) might be more economical than purchases made through the executing agencies, he asked what had been done to ensure greater use of that Unit and why the arrangements should require the agreement of the executing agencies. It appeared from the report that UNFPA's evaluation procedure was at a very early stage of development and we would like to know what improvements had been made since the report had been issued.

65. Mr. MUDHO (Kenya) requested clarification of the phrase "lower income scenario" and asked how it affected UNFPA's activities actually or potentially.

66. Mr. WITTRIN (Deputy Executive Director, United Nations Fund for Population Activities) said that he would give the Portuguese representative the detailed documentation on project-funded posts that had been prepared for the Governing Council. By the end of 1986, there would be no more such posts. He assured the representative of the United Kingdom that the report of the Board was regularly discussed in the Governing Council, the length depending on the nature of the report, controversial or otherwise. In the past two years, the discussion had been lengthy.

67. FPPU dealt primarily with those types of projects that consisted mainly of equipment and supplies, where the technical advice of the executing agencies played some part. Optimal use was made of the Unit, which saved time as well as agency overhead charges. Actual purchases, of course, depended on requests from the field. The assumption that UNFPA's evaluation process was in the early stages was not correct. UNFPA was in fact one of the first to have evolved an independent evaluation process staffed by outside experts. Its evaluation work had been praised by the Governing Council. It was hoped ultimately to achieve optimal feedback into the programming process, but cultural and other factors could make the uniform application of the findings difficult.

68. By way of clarifying the expression to which the representative of Kenya had referred, he said that the United States, which used to be the major contributor to UNFPA, having previously pledged amounts of up to \$46 million a year, had informed UNFPA on 27 August 1986 that there would be no contribution at all for that year. Planning for the biennium had been based on two different levels, one with a United States contribution of unknown size, but approximately \$25 million as a minimum, and one without it. UNFPA was thus faced with a shortfall in income of \$25 million. A special contribution of \$5 million from the Government of the Netherlands, together with some windfall profits from exchange-rate fluctuations, had made the shortfall rather less. In terms of effects, programmes all over the world would have to be stretched out or cut. Large programmes would be cut more than small ones. It had been decided that there should be no cuts in Africa but a proposed increase of \$10 million would not be possible. Every effort was being made to minimize the adverse effects and it was hoped that, at the next meeting of the Governing Council and after the next Pledging Conference, UNFPA would be able to report that its financial situation was as sound as before. It would, of course, continue the dialogue with the United States to ascertain whether the decision made for 1986 could be in any way remedied.

69. The CHAIRMAN said that the representative of UNEFA would be prepared to answer any additional questions at the next meeting. The delegations of the United Kingdom, Egypt and the United States had already indicated that they had further questions. It would be helpful if they could be put in writing and submitted in advance.

The meeting rose at 1.20 p.m.