



SUMMARY RECORD OF THE 8th MEETING

Chairman: Mr. FONTAINE-ORTIZ (Cuba)

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

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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 and III and Corr.1, and Add.1 and Add.1/Corr.1, Add.2 and Add.2/Corr.1 and Add.3-9, A/41/402 and Corr.1, A/41/632; A/C.5/41/CRP.1)

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1. Mr. INZKO (Austria) asked for a further clarification of the reported transfer of appropriations between categories of expenditures and between budget lines. There seemed to be a marked difference of opinion on that question between UNICEF, on the one hand, and the Board of Auditors and ACABQ on the other. The reply given at the previous meeting to questions regarding the employment as consultants of former staff members in receipt of pensions had been too general. He would like to know, therefore, what amount the consultant in question had received, the date of his retirement and of his recruitment as a consultant, the period of his contract and the output he had produced. He would also like to know whether the consultant had been aware or had been told that he was in violation of General Assembly resolution 37/237. He was further concerned that an amount such as \$600 should have been categorized as minor. In many countries that was a very considerable sum. Lastly, he asked what proportion of the income from the Greeting Card Operation actually reached the children it was intended to benefit.

2. Mr. MICHALSKI (United States of America), referring to the flexibility enjoyed by the Executive Director to transfer funds between budget categories and lines, asked what assurances Member States had that levels of expenditure for specific organizational units or objects of expenditure were not well in excess of those

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(Mr. Michalski, United States)

regarded as necessary or desirable by the Executive Board. Did UNICEF prepare an analysis showing the variations between initially approved levels of expenditure and final obligation or expenditure levels, both by organizational unit and object of expenditure, and if so, could that information be provided to delegations? He also asked whether normal UNICEF procedures required the Executive Director to report to ACABQ and the Executive Board the amounts of, and justifications for, budget line transfers.

3. It appeared that the \$3.8 million in unallocated reserves was actually a provision for unforeseen or unavoidable expenditures created through the underallotment of appropriated funds. According to paragraph 35 of the report, UNICEF had previously informed ACABQ that a \$3.8 million fund was available, primarily for possible exchange rate fluctuations. Had UNICEF in fact informed ACABQ to that effect, and was ACABQ aware of the practice of the underallotment of appropriated funds? Were there in fact two separate funds, one for exchange rate fluctuations and the second created through the underallotment of appropriated funds? Was the Executive Board aware of the practice of underallotment and the existence of a reserve fund, and was that a standard budgetary procedure followed by UNICEF?

4. Regarding the computer acquisition programme, he asked whether the management plan to which the Deputy Executive Director for Operations had referred was in full conformity with the decision taken by the Executive Board on the computer programme. According to the Deputy Executive Director, UNICEF had spent \$1,029,945 on computer equipment in 1985. What amount had been available in the revised budget as approved by the Executive Board?

5. If UNICEF remained firm in its belief that the amortization of computer purchases should be its accepted accounting practice, why had that procedure not been followed in 1985, and why was it necessary to undertake "further dialogue"? What were the issues for further discussion and would ACABQ, the Board of Auditors and the Executive Board be involved? While he accepted the assurance that proposals for all capital acquisitions would be submitted to the Executive Board for approval, he would like to know the nature of the "oversights" which had occurred during 1985. Lastly, if the participation of certain delegations in the 1985 session of the Executive Board had been an urgent necessity, why had the funding of their travel and per diem not been brought to the Board's attention?

6. Mr. HADWEN (Canada) said that his delegation looked forward to receiving further clarification regarding the manner in which the computer equipment referred to had been purchased, and whether the Executive Board had been consulted in that respect. His delegation was also concerned about the extent to which the Executive Board had such matters drawn to its attention in detail and the time made available to it for their consideration. He stressed that such consultations should be very full and that the Executive Board should have all the time and all the relevant information that it needed in that regard. What was at stake was the reputation of an institution to which Canada attached great importance. Canada's representative on the Executive Board would pursue the matters raised in the discussion in the Fifth Committee very closely.

7. Mr. KNUTSSON (Deputy Executive Director, Operations, UNICEF) said, in reply to the questions that had been asked about the way in which the reports of the Board of Auditors and of ACABQ were presented to UNICEF's Executive Board and the manner in which they were dealt with there, that UNICEF's financial reports and the recommendations of the Board of Auditors and of ACABQ together with the Executive Director's observations on them, were the first item on the agenda of the Committee on Administration and Finance, which was a committee of the whole of the Executive Board. There they received detailed scrutiny, which was recorded in the Committee's report and in the report of the Executive Board. In addition, delegations frequently touched on the issues that had been raised in the debate in the plenary Board. He could not state precisely how much time had been devoted to those reports, but he assured the Fifth Committee that the reports were regarded as an important agenda item and received high-level attention from the Executive Board.

8. In explanation of the term "further dialogue" as related to the amortization of computer equipment, he said that the issue of amortizing the cost of computer equipment had now been reviewed by both the Board of Auditors and ACABQ. There was obviously a difference of opinion between UNICEF and the auditors in the matter. The next step in the continuing evolution of UNICEF's financial system would take place when the Executive Board reviewed the report of the Board of Auditors and that of ACABQ. A clear resolution of UNICEF policy in the matter would no doubt be formulated at that time. The presentation of the capital assets budget would also be improved. There was undoubtedly a difference between the Board of Auditors and UNICEF regarding the prudence of the procedure adopted for dealing with amortization.

9. Regarding the question asked by the representative of New Zealand about transfers of reserves, he said that there had been some confusion about the so-called "budget reserve". It was not a reserve in the sense of money held to be used if needed but rather an amount that was withheld from the allotments within the organization so that, should each division or office expend its allotment exactly, savings would still be effected against that year's total budgetary appropriation. As UNICEF had stated in the Fifth Committee at the last session, UNICEF had not exceeded the total budget allotments approved by its Executive Board in any of the previous 23 years. That had been the case in 1985 when a withholding of \$3.8 million had been established in the revised budget estimates for 1985 and that saving had been achieved. In the sense that the money had never been spent, the amount was "returned" to general resources, but the sum was not and never had been a "reserve" drawn upon to cover over-expenditures. He stressed again that, in 1985, there had been no transfer of funds between budget categories. There had been transfers within budget line items within the same category, under the established UNICEF procedure. There had been a transfer of \$243,000 to the budget line item for computer equipment, but at the same time there had been a saving of \$1,680,000 against the allotment for travel on official business, which was in the same budget category. Regarding the procedure for transfers of budgetary allotments, both between categories and within categories, and the way in which that would be addressed in the UNICEF financial rules and regulations under preparation, he said that serious consideration was being given to the question of budgetary control. When the drafting was completed, the rules would be communicated to ACABQ before being discussed in the Executive Board.

(Mr. Knutsson)

10. In reply to the representative of Portugal's question about the rental subsidy estimates referred to in paragraph 51 of the report, he said that it was important to note that the fact that particular offices had exceeded their original allotment for rental subsidies did not mean that they had overspent or that there was a lack of budgetary control in that area. It was difficult to know in advance what the actual costs to a particular office would be. An estimate was made on the basis of the number of staff in a particular office. As the actual costs to the organization were identified, based on actual experience, the Budget Section effected transfers between offices in that budget line in order to reflect the reality of the situation. That was an example of transfers being made not to defray over-expenditure but to reflect the situation as it existed. It was recognized that there were some shortcomings in the forecast methodology and work was proceeding to improve techniques for the biennium 1987-1988. He gave a number of examples of rapid and unexpected changes in conditions. The two offices referred to in the report were in the Middle East, where the cost of living had risen beyond all expectations and, in accordance with the rules of the United Nations itself, an increase in the subsidy was required. In Beijing, no residential facilities at all had been available and large costs had been incurred for hotel accommodation. In Lagos, the government housing originally provided had had to be renovated and the other arrangements made had brought the subsidy procedure into operation. In West Africa, rapid increases in staff due to supplementary funding had meant that the forecast for project-funded staff had had to change rapidly and allotments had had to be increased.

11. The representatives of Belgium and of the United Kingdom had asked questions about the percentages of gross sales that had gone on total commissions and direct office expenses for the Greeting Card Operation, and about the variations in that ratio. The Board of Auditors had noted that if those expenses had been kept to the targeted ceiling of 25 per cent, instead of the actual 26.7 per cent, an additional revenue of \$1.4 million would have accrued to the organization. Every effort was being made to keep expenditures at the national offices, including commissions, below that figure. Regarding the funds retained by the national committees for their own use, there was an understanding between them and UNICEF that an effort would be made to reduce the very high ratio of 40.1 per cent in one major market to 25 per cent in 1988.

12. The representative of Belgium had asked further how UNICEF could compare the net overhead - in other words the unspent monies from commissions returned to UNICEF - of the various national committees, and what savings would accrue if the figure could be brought down in all cases to 10 per cent. The national committees were granted a 25 per cent commission, which was not the actual overhead on sales but a commission fixed in the recognition agreement signed with UNICEF. That money could be spent by them according to their individual requirements. Any refunds which they made to UNICEF were not credited specifically to the Greeting Card Operation, so the overall saving that might ensue could not be determined. Certain national committees used part of their commission for extremely valuable work, in development education or advocacy, which they managed for themselves. Any such allocations were in fact support for UNICEF's developmental activities. It was

(Mr. Knutsson)

difficult, however, to ascertain the exact amount. As far as accountability to their own Governments and to UNICEF was concerned, the committees were required to provide UNICEF with audited annual financial reports on their activities, including greeting card sales, in accordance with the national recognition agreement and with the legal requirements of their respective Governments. In answer to the question about ways of sharing cost-effective measures and expenses in order to increase UNICEF's net revenue, he said that there was a close working relationship between the national committees and UNICEF. The greeting card workshops and National Committee Standing Group might provide a forum for the discussion of additional ways of increasing UNICEF's net revenues.

13. Replying to questions raised by the representative of Austria, he said that the wording of the report of the Advisory Committee implied that some transfers between categories of expenditure had been considered. In fact, the only transfers which had taken place had been between budget lines within individual categories. With regard to the authority of the Executive Director to effect transfers between categories, the relevant resolution adopted by the Executive Board stated that the Executive Director should be authorized to administer as a unit the total provisions under each of categories 1, 2 and 3, to transfer, without further authorization of the Committee on Administration and Finance, if necessary, between categories 1 and 2 an amount not exceeding 5 per cent of each category and to revise the amount of category 3 upward or downward in line with the volume of the throughput, and to report to the Executive Board accordingly. The resolution did not include any provision requiring that such transfers should be made in response to an unforeseen situation.

14. In response to a number of questions concerning the employment of consultants, he said that a consultant had been employed in the supply area as a result of the sudden emergence of serious systems problems which had severely threatened work which had to be completed before the end of the financial year. A consultant possessing unique expertise had been hired and had been paid an amount which exceeded by \$3,225 the level stipulated in General Assembly resolution 37/237. It had not yet been possible to ascertain the date on which he had been hired or how long he had worked. The consultant's work had been of a high quality and had solved the problems which had necessitated his employment. The consultant had been made aware of the violation. However, all arrangements had been made on the initiative of UNICEF and no blame could be attributed to the individual. He (Mr. Knutsson) regretted his qualification of the sum of \$600 as "minor" since he continued to view the overpayment with great seriousness.

15. In response to the question concerning the proportion of the price of a greeting card which actually went to children, he said that in the 1985-1986 biennium 40.19 per cent went to UNICEF's general resources. A target of 42 per cent had been set for 1988, and the medium-term objective was a proportion of 50 per cent. An additional 25 per cent was returned to National Committees, primarily to help defray expenses but also to support their own important programmes.

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(Mr. Kristason)

16. Replying to the various questions raised by the representative of the United States, he said that the Executive Director reported any transfers between categories of expenditure to the Executive Board in the financial report. Variations from planning levels on line items within any particular category were controlled by the UNICEF Budget Review Committee, the figures for which were subsequently made available to the Board of Auditors. He would be pleased to share any such information with individual members of the Committee. With regard to the \$3.8 million fund referred to by the representative of the United States, UNICEF had informed ACABQ that the fund was available primarily to cover any exchange rate fluctuations which occurred, and the Advisory Committee was aware of the practice of underallotment of appropriated funds. It was not true to say that there were two separate funds. UNICEF itself, by using the word "reserve", had given the impression that the fund was designed to cover over-expenditure, whereas it in fact represented a safety mechanism based on the principle of anticipated savings. The ultimate result was that the total amount of \$3.8 million in pre-planned savings had been returned to general resources.

17. The amount made available for computer purchases in the revised budget had been \$1 million, and an over-expenditure of some \$30,000 had been incurred on that line item. The procedure of amortization of computer purchases had not been followed in 1985 as a result of concerns expressed by the Board of Auditors. UNICEF had therefore continued to adhere to its previous accounting practice of full payment while awaiting further dialogue with the Executive Board. He took it for granted that ACABQ and the Board of Auditors would also be involved in that dialogue.

18. With regard to the oversights relating to capital acquisitions which occurred in 1985, the two offices concerned had been those in Haiti and Niger, both of which had experienced an urgent need for increased staff in areas where working conditions were deplorable. The funding of travel and per diem for certain delegations attending the 1985 Executive Board session had been arranged because their attendance had been essential to the Fund's operation in Africa. However, UNICEF would in future adhere strictly to United Nations policy on travel payments. In conclusion, he stated that UNICEF always responded, formally or informally, to all questions raised by ACABQ. It had been the practice in previous years when critical remarks in audit reports were to be considered that the agency involved should be invited to participate in a dialogue. Such a dialogue had not taken place in 1986, but the Administration of UNICEF remained ready to provide any clarification that might be requested.

19. Mr. UPTON (United Kingdom) referring to the report of the Board of Auditors on the United Nations Fund for Population Activities (A/41/5/Add.7), asked whether Mr. Wittrin, the representative of UNFPA, could expand the answer he had already given to the suggestion made by the Board in paragraph 40 of its report. Paragraph 41 implied that the agreement of other executing agencies would be required to maximize the cost-effectiveness of the Field Projects Procurement Unit.

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20. Mr. BOUR (France) said that his delegation attached great importance to co-ordination between the work of the Fifth Committee and that of the governing bodies of the agencies on which the Board of Auditors reported. In 1985, it had noted with satisfaction that the Governing Council had taken account of the Auditors' observations, but it had had to wait until the Governing Council session in 1986 for the secretariat's report on the steps taken in regard to the project-funded personnel as a result of those observations. It appeared from paragraph 6 of the current report that UNFPA had followed that same practice to finance part of its headquarters rental costs. He wondered whether it would be necessary to wait until the 1988 session of the Governing Council to hear what steps had been taken, or whether a report on the matter could be ready for the 1987 session.

21. Mr. WITTRIN (Deputy Executive Director, United Nations Fund for Population Activities) said that although the Fund's Procurement Unit was of very recent origin it would handle roughly \$20 million-worth of procurements in the current year. UNFPA operated only in areas where it did not interfere with other agencies operating in their special technical domains, and it therefore dealt with procurement only where that was the main purpose of a project. There were no plans to have it take over all procurement activities for other agencies.

22. On the comments by the French representative, he remarked that although the report of the Board of Auditors took a long time to reach the Governing Council of the Fund through normal channels, the Administration had undertaken to prepare a financial report for each session of the Governing Council giving details of the Fund's past and forecast income, and the Administration's reactions to what it knew of the auditors' findings. Finally, the practice referred to in paragraph 6 of the Board's report had been discontinued, and the standard system of debits and credits would be used in future.

23. Mr. NOEL (Office of the United Nations High Commissioner for Refugees) said that the new High Commissioner had made a public commitment to precision in the evaluation of needs, credibility in the formulation of programmes and rigour in the execution of projects. UNHCR did not intend to shirk responsibility for its programmes, even if they were carried out by a charitable organization or a governmental partner.

24. In pursuit of those goals, the new High Commissioner had substantially expanded the training programme for UNHCR officials and the employees of non-governmental and governmental organizations involved in programme execution. A committee had been set up, under the chairmanship of the Deputy High Commissioner, to analyse the recommendations in evaluation reports on the Office's major programmes and ensure that they were put into practice. Furthermore, there had been a substantial reorganization at UNHCR headquarters, resulting in a substantial reduction in management staff there and an increase in the regional bureaux, which had become co-ordinating and policy-making centres in their respective areas. Programme support services had been put under the authority of the Deputy High Commissioner. Procurement had been reorganized and modernized.

(Mr. Noel)

25. The procurement unit had been expanded by redeploying staff from other areas. One official had been appointed at UNHCR headquarters to follow up on receiving reports. Field missions had been dispatched to establish new procedures for the receipt of goods and the submission of reports. Computerization of the entire procurement system was now complete, and substantial improvements were expected by the following year. By the end of the current year some 60 UNHCR employees would have been trained in emergency programme management and logistics.

26. After consulting the Executive Committee, the High Commissioner had brought in an independent firm to study working methods and procedures to improve needs assessment for refugees, budget formulation, programme monitoring, and the preparation of internal and external reports. The steps taken already, and the further action to be taken once the study was complete would bring change in methods as well as procedures. UNHCR was aware of its weaknesses, and determined to correct them.

27. The representative of Japan had asked whether UNHCR staff paid for the use of vehicles. A monthly billing system had been introduced, and was being enforced.

28. The representative of the United States had asked about unsatisfactory implementing partners. The High Commissioner had recently announced that he intended to review all the non-governmental organizations involved in the execution of UNHCR projects, and would in future work only with those that performed satisfactorily.

29. The United Kingdom representative had asked about the periodic reconciliation of bank accounts. Such reconciliations were carried out in every UNHCR office. The implementing partner, a governmental agency, had posed problems to one office by following different financial procedures, but the executing agency had given assurances that the situation would be corrected shortly.

30. Internal instructions had been given to UNHCR offices and new procedures had been introduced to deal with the point raised by the Chairman of the Advisory Committee.

31. According to information from UNHCR headquarters, the project which the Japanese and United Kingdom delegates had asked about had been completed in 1984 with no additional expenditure on the part of UNHCR. The High Commissioner had drawn the necessary lessons from that situation, and in future payments would be made only after submission of a satisfactory project evaluation report.

32. The Canadian representative had asked whether the projects examined by the Board of Auditors were representative of all UNHCR programmes. The programmes audited in fact covered three largest countries of asylum, which by themselves sheltered almost four and a half million of the 10 million refugees world-wide. Together the three programmes had accounted for 45 per cent of total UNHCR programme expenditure in 1985.

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(Mr. Noel)

33. He had been notified by UNHCR headquarters that the procurement unit had suffered no actual losses of goods, but some damage had occurred. In each such case UNHCR had initiated proceedings with the carrier and/or the insurance company concerned and, during the audit period, it had recovered 92 per cent (\$350,000) of the sums it had claimed.

34. Finally, the report of the Board of Auditors and the related report of the Advisory Committee were presented to the Executive Committee of UNHCR and discussed as a separate agenda item. The Executive Committee had set up a Sub-Committee on Administrative and Financial Matters to follow up the auditors' recommendations.

35. Mr. MUDHO (Kenya) asked what percentage of its total resources UNHCR spent on training for its staff. He also asked whether the study by the independent external firm had already taken place, why such an external study had been thought necessary in view of the expertise on refugee requirements available within the Office, and what the cost would be.

36. Mrs. EMERSON (Portugal), referring to the comment by the auditors in paragraphs 77 and 78 of their report on UNHCR (A/41/Add.5) about the lack of receiving reports for goods shipped to field offices, asked what progress had been made in rectifying that situation.

37. Mr. HOLBORN (Federal Republic of Germany) drew attention to paragraph 129 of the auditors' report, which stated that a number of field offices in which "substantial funds" were expended needed to be visited more frequently by the Internal Audit Service. He wondered what kind of money such "substantial funds" might represent. And in view of the Administration's concern, reported in the following paragraph, to strengthen financial control, he wondered what specific steps had been taken to improve financial controls and management efficiency in UNHCR.

38. Mr. MURRAY (United Kingdom) welcomed the information supplied by the representative of UNHCR, particularly concerning relations between the Office of the High Commissioner and various associated executing agencies. Pointing out that paragraphs 88 to 90 of the auditors' report cited the commingling of UNHCR and agency funds as a factor that complicated the maintenance of proper accounts, he asked whether it was the intention of the High Commissioner to insist that separate accounts should be opened by all executing agencies for funds made available by his Office.

39. Mr. NOEL (Office of the United Nations High Commissioner for Refugees) said that the UNHCR budget for training in 1986 had been \$500,000; the High Commissioner had just asked the Executive Committee to double that amount to \$1 million, or approximately 0.25 per cent of total UNHCR resources.

40. The study to be carried out by the external consulting firm was not an assessment of the needs of refugees but, rather, a re-evaluation of the methods and procedures used by UNHCR in determining those needs, and how the various bodies

(Mr. Noel)

concerned interacted. The study had commenced in January 1986 and was likely to continue until the end of the year. The High Commissioner would report on its findings and submit a related plan of action to the Executive Committee when it met in Geneva in January 1987. He could not supply any information on the cost of the study.

41. The representative of Portugal had asked about the problem of receiving reports. He had already provided some information on that subject. Action taken by UNHCR included the computerization of the entire accounting system and the appointment of an official responsible for overseeing the receipt of goods. It must be remembered that most of the projects with which UNHCR was concerned were in very poor and remote areas, and the goods destined for use in such projects often had to cross a number of national boundaries. Ensuring that reports from the field got back to headquarters was, therefore, a considerable task.

42. To the question posed by the representative of the Federal Republic of Germany, he replied that some 90 per cent of all UNHCR programmes would be audited over the coming three years.

43. The United Kingdom representative had highlighted the auditors' concern about the commingling of UNHCR and other agency funds. In the case of the non-governmental organizations with which it co-operated, UNHCR had not only persuaded them to maintain separate accounts for all the monies it contributed but stipulated, in its contracts and agreements with them, that their own contributions to those projects must also be subject to audit. In the case of its governmental partners, UNHCR had secured agreement that separate accounts would be maintained for the funds supplied by it. The new arrangements had already been introduced in most cases, but in one, cited specifically by the auditors, negotiations were still in progress.

44. Mr. DOO KINGUE (Executive Director, United Nations Institute for Training and Research) said that he attached great importance to the work of the Board of Auditors, and it was for that reason that he always adopted the measures recommended by them. With regard to the operations of UNITAR, he said that the General Assembly had approved certain provisions specific to the Institute in view of the reduced need for regulations in an organization lacking a large bureaucracy. It had been agreed that certain United Nations regulations should not be applied to UNITAR, but any decision on such a matter was dependent upon the agreement of both the Board of Trustees of UNITAR and ACABQ. The flexibility thus provided had never been abused.

45. In response to questions raised by the representative of Ghana, he stated that the former tenant, the World Fund for the Assistance of African Children, owed a sum of \$139,000 to UNITAR. The lease had been concluded by the President of the Fund, Dr. Alexandre Mappa. Although the former tenant had disappeared without notice, UNITAR had been able to recover \$5,000 through his former business partners. It was his feeling that UNITAR should no longer rent to charitable organizations, and the Institute was currently renting the premises in question to the United States Department of State.

46. Mr. MUDHO (Kenya) asked the Executive Director whether he wished to imply that fewer risks were involved in renting excess space to Governments than in renting to charitable organizations.

47. Mr. DOO KINGUE (Executive Director, United Nations Institute for Training and Research) said that, in exercising due care with respect to the choice of tenants, he would take note of the record of any particular Government in paying its contributions to UNITAR.

48. Mr. MURRAY (United Kingdom) noted, with reference to paragraphs 72 to 75 of the audit report contained in document A/41/5/Add.4, that a communication problem appeared to exist between the UNITAR office at Geneva and the United Nations Office at Geneva and asked whether the situation had improved since the auditors had made their report.

49. Mr. DOO KINGUE (Executive Director, United Nations Institute for Training and Research) said that he would request further information on that subject from a representative of the UNITAR office at Geneva. However, he believed that the question would be most usefully addressed to the United Nations Secretariat.

50. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions) noted that budget lines and categories of expenditure were technical terms which might create some confusion among delegations unfamiliar with them. He wished to assure the Committee that ACABQ had not criticized UNICEF for transfers between categories of expenditure, which had not occurred. Concern had arisen over the mention, in the report of the Board of Auditors, of a transfer of funds within a single category, the purpose of which had been to enlarge the computerization programme. The Board of Auditors had rightly stated that transfers could not be made for the purpose of enlarging a programme without recourse to ACABQ and the Executive Board. It was for that reason that the Advisory Committee had agreed with the observation, in paragraph 26 of the audit report contained in document A/41/5/Add.2, that the authority of the Executive Director to effect transfers between budget lines was intended to provide flexibility for situations that could not have been reasonably foreseen when the budget was prepared or revised. The Advisory Committee had also observed, in document A/41/632, that the fairly broad categories of expenditure used by UNICEF provided the Fund's Executive Director and Administration with very great flexibility in decisions concerning transfers. He suggested that the subject might be examined in connection with the formulation of the new set of financial regulations and rules specific to UNICEF.

51. Mr. MICHALSKI (United States of America) requested a copy of UNICEF's variance analysis for the biennium 1984-1985, and asked whether transfers between budget line items as well as transfers between categories were reported to the Executive Board. The Advisory Committee had noted in paragraph 52 of its report (A/41/632) that various expenditures had been financed from budgetary/unallotted reserves. His delegation wished to know whether that had been in excess of the line item allocation approved in the revised budget for 1984-1985. In that connection, he would welcome clarification of why the Advisory Committee had also suggested that such expenditure had been funded from the reserve established for inflation and currency fluctuations, since that did not appear to be the case.

(Mr. Michalski, United States)

52. The Deputy Executive Director had stated that computer-related expenditure in 1985 had amounted to \$,029,000, whereas the Board of Auditors, in paragraph 23 of its report (A/41/5/Add.2), mentioned a figure of \$832,400. Perhaps UNICEF could explain the apparent discrepancy. Finally, he wished to know whether the management plan referred to by the Deputy Executive Director had been in full conformity with the Executive Board's decision on the computer enhancement programme.

53. Mr. NELSON (Chairman of the Board of Auditors) said that the audit sample of 156 UNHCR projects, involving a total contribution of \$164.2 million, was material in both absolute and relative terms. In selecting projects for examination, the Board took account of various factors, including the dollar value of United Nations inputs, the funding sources, and previous audit experience.

54. Under General Assembly resolution 40/238 the Board had been mandated to review the financial reserves of United Nations organizations, and would do so in the current audit programme. Preliminary consideration of the matter had disclosed that there was no common concept of what constituted financial reserves or of agreed methods of measurement.

55. Budget formulation and execution processes were audited to assist the Board in discharging its mandate to ensure that expenditures were in accordance with the intentions of the General Assembly and that appropriations were not exceeded. Account was also taken of the relevant guidelines and procedures. Where those were lacking, the Board drew attention to the omission and recommended corrective measures.

56. The Board felt that earlier submission of the financial statements was advisable and urged the various organizations to review the matter. It was the hope that there would be an improvement in those parts of the reports incorporating Administration responses.

AGENDA ITEM 115: PATTERN OF CONFERENCES: REPORT OF THE COMMITTEE ON CONFERENCES
(continued) (A/41/32 and Corr.1)

57. Mr. MUDHO (Chairman of the Committee on Conferences), introducing document A/41/32/Corr.1 containing corrections to the calendar of conferences, said that the next session of the Working Group on Enforced or Involuntary Disappearances of the Commission on Human Rights would take place in December 1986, not in January 1987. The Preparatory Planning Meeting for the Fourth International NGO Meeting on the Question of Palestine had been included in the programme of activities for 1986-1987, on the proposal of the Committee on the Exercise of the Inalienable Rights of the Palestinian People. The General Assembly had approved the holding of the meeting by resolution 40/96 B. Finally, the Interregional Consultation on Developmental Social Welfare Policies and Programmes, originally scheduled for 1986, would now take place in September 1987.

58. Mr. MURRAY (United Kingdom), speaking on behalf of the twelve States members of the European Community, said that the current financial crisis made the task of the Department of Conference Services more than usually difficult. While immediate responsibility for conference-servicing lay with the Committee on Conferences, and it was essential to examine carefully the performance of the Department of Conference Services in implementing the programme of conferences, ultimate responsibility lay with the General Assembly. Member States could not simultaneously expect an ever-increasing number of meetings, a static or declining level of funding on conference-servicing and continuously high quality of service. Member States should limit their requirements to the minimum.

59. The efforts made by the Committee on Conferences to reconcile the demand for meetings with the limited resources available were commendable. Yet there seemed to be widespread reluctance on the part of some bodies to rationalize their use of conference time. The fact that half of United Nations bodies used less than 75 per cent of their conference resources showed that much remained to be done. Bodies which wasted resources should in future have fewer resources allocated to them.

60. In view of the cost of documentation, every effort should be made to ensure that each document was concise, timely and made a contribution to the item under discussion. The request by the Department of Conference Services that Member States should minimize their practice of asking for material to be circulated as official documents was amply justified. The whole documentation problem should be closely monitored, with a view to reducing the number, volume and cost of United Nations documents.

61. The Twelve did not disagree with the recommendation of the Committee on Conferences for a three-year extension of the experimental period during which no subsidiary organ, with certain exceptions, should receive summary records. Those bodies in receipt of written records should carefully and closely examine what was really needed, in an effort to reduce the number of exceptions.

62. The European Community welcomed the formulation of guidelines for planning missions, which should result in a reduction in the frequency and size of such missions.

63. With regard to requests by certain bodies to meet at Headquarters during the current session, the Twelve endorsed the suggestion by the Committee on Conferences that the reasons proffered were inadequate. With reference to special conferences, it was incongruous that the limit of five such conferences in any year imposed by the General Assembly would be exceeded in 1987, a year which was likely to be very difficult for the United Nations. The Twelve would like to see a mechanism whereby the Committee on Conferences could ensure that the General Assembly's limit was observed.

64. Finally, while the report of the Committee on Conferences urged the need for maximum cost-effectiveness upon the Administration, it stopped short of reminding member States of their responsibilities.