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

Implementation of the recommendations of the Board of Auditors

Report of the Secretary-General

Addendum

I. INTRODUCTION

1. In paragraph 7 of its resolution 48/216 B of 23 December 1993, the General Assembly requested the Secretary-General and the executive heads of the United Nations organizations and programmes, at the same time as the recommendations of the Board of Auditors are submitted to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions, to provide the Assembly with their responses and to indicate measures that would be taken to implement those recommendations, with appropriate timetables.

2. The Secretary-General has the honour to transmit to the General Assembly the responses of the executive heads of organizations and programmes, namely, the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the voluntary funds administered by the United Nations High Commissioner for Refugees, the Fund of the United Nations Environment Programme (UNEP), the United Nations Population Fund (UNFPA), the United Nations Habitat and Human Settlements Foundation, the United Nations University (UNU) and the Fund of the United Nations International Drug Control Programme (UNDCP). Unless otherwise stated, these responses relate to the recommendations of the Board of Auditors in its reports for the biennium 1992-1993. A further addendum to document A/49/348 will be issued with respect to organizations and programmes not included in the present document.

II. REPLIES FROM UNITED NATIONS ORGANIZATIONS AND PROGRAMMES

A. United Nations Development Programme

3. The actions taken or to be taken by the United Nations Development Programme (UNDP) to implement the recommendations of the Board of Auditors in its report for the biennium 1992-1993 1/ are set out in the table below.

Board recommendations	UNDP response	Follow-up actions	Status and target date
<p><u>Financial matters</u></p> <p>1. UNDP should report to the Executive Board on how the funds held in the reserve for transitional measures will be utilized (paras. 9 (a), 15 and 55).</p>	<p>UNDP is fully aware of the need to rationalize the housing stock and is actively engaged, where possible, in ending its obligations in respect of those properties. UNDP has accepted the Board's recommendation and is currently devising a detailed timetable and work plan for 1994-95.</p>	<p>The reserve was established from the 1992-93 budget savings in accordance with Governing Council decision 93/35 of 18 June 1993. As reported to the Executive Board for consideration at its October 1994 session (DP/1994/35), funds held in the reserve will be utilized for: (a) transitional salary costs relating to the timing of implementing necessary reassignment and separations; (b) additional training; and (c) systems development. In particular, funds will be used to support the implementation of the adopted corporate strategy on information technology, in accordance with the Board's recommendations below on management information systems.</p>	<p>Completed 15 October 1994</p>
<p>2. An overall implementation plan should be drawn up for the disposal of [housing] properties in the field (paras. 9 (b), 15 and 56).</p>	<p>UNDP agreed to clarify and reissue guidelines.</p>	<p>The work plan will be available in November 1994.</p>	<p>Ongoing 1 November 1994</p>
<p>3. UNDP should clarify its guidelines on the definition of unliquidated obligations (paras. 9 (c), 16 and 68).</p>	<p>UNDP is currently engaged in resolving those discrepancies and will make any necessary adjustments in 1994.</p>	<p>UNDP will strengthen the year-end instructions sent to all headquarters certifying officers and country offices. Improved procedures for review and certification will be introduced in time for the year-end 1994 accounts.</p>	<p>Ongoing 31 December 1994</p>
<p>4. UNDP and the executing agencies should work together jointly to address the problems with the successor support cost arrangements that were encountered in 1992-1993 (paras. 9 (d), 17 and 76).</p>	<p>UNDP works closely with the executing agencies through the Inter-Agency Task Force on Support Costs to address evolving policy issues and discuss general operational concerns. In 1994, the Task Force discussed a cost measurement study on technical support services and administrative and operational support rates of reimbursement. Other meetings will be convened to address a variety of issues. UNDP will present a report on support costs arrangements, including the evaluation report of an independent team, to the Executive Board for consideration at its October 1994 session (DP/1994/23). Proposed revisions to the UNDP financial regulations will be submitted to the Board in November 1994.</p>	<p>System-wide 1 November 1994</p>	

Board recommendations	UNDP response	Follow-up actions	Status and target date
<p>5. UNDP should aim to review and decide all cases involving financial loss and personal responsibility within six months. In addition, when staff are appointed to senior positions with significant financial responsibilities, they should be sent a personal letter of appointment setting out succinctly the nature of those responsibilities and how they will be held accountable (paras. 9 (e), 20, 97 and 98).</p>	<p>The Standing Committee for Personal Responsibility and Financial Liability is a new initiative. As such, there is a process of learning and of developing a body of precedents which impinge on, inter alia, issues of consistency, equity and timeliness. UNDP agrees that it is necessary to shorten the time-span to review and decide on cases. However, the process established requires that due process and fairness to the staff concerned is ensured. While UNDP agrees in principle with the idea of a predetermined time-limit, a certain amount of flexibility is needed.</p>	<p>The Standing Committee process has been revised to unify administrative and disciplinary processes. New guidelines will be issued by the end of 1994.</p> <p>UNDP will continue to cooperate with the United Nations in the development of an effective accountability system. The UNDP code of ethics, which will take into consideration the United Nations code of conduct currently in preparation, and the letter of appointment are expected to be introduced in 1995.</p>	<p>Ongoing 1 July 1995</p>
<p>A code of ethics for UNDP staff is in preparation, and action to draft a letter of appointment, for review and consideration by senior management, has been initiated.</p>			
<p><u>Management information systems</u></p>	<p>UNDP agreed with the need for a well-defined corporate strategy. The consensus and commitment of major users to a strategic framework for the management of information technology has been achieved. The implementation of the main components of the strategy will be managed and directed by the Management Advisory Group on Information Systems (MAGIS). Also, the 1994 budget for information technology will be reconfigured to support the realization of the immediate strategic objectives. To facilitate an integrated programme approach for the development of all country office and headquarters systems, UNDP has initiated the Integrated Programme Management (IPM) system, which will be managed and controlled by the IPM Steering Committee, a subset of MAGIS members and country office representatives.</p>	<p>The UNDP information technology strategy is being developed in the context of IPM and the Integrated Management Information Systems (IMIS) as the main components of the strategy. It is anticipated that the process of internal discussions for the formulation of the strategy document will be completed before the end of 1994. (See also item 15.)</p>	<p>Ongoing 31 December 1994</p>
<p>6. The Board recommends that UNDP establish a documented information technology strategy which clearly sets out objectives, priority areas, timetables and resource implications. This will require direct involvement and commitment of senior management throughout UNDP to ensure its successful implementation (paras. 13, 46 and 230).</p>			

Board recommendations	UNDP response	Follow-up actions	Status and target date
<p><u>Procurement of goods and services</u></p>			
<p>7. UNDP should evaluate the potential cost and benefits of sponsoring staff in a formal programme of training [in procurement] (paras. 12 (a), 36 and 186).</p>	<p>UNDP has noted the Board's recommendation on the need to develop staff capacities in procurement as a specialist function and has informed the Board that the Office for Project Services (OPS) plans to institute, by mid-1994, specialized training programmes for procurement staff. Efforts will be made to arrange joint training programmes for both OPS and UNDP staff, with the possible coordination of the Inter-Agency Procurement Services Office (IAPSO).</p>	<p>To date, all headquarters procurement staff have participated in basic procurement training organized by IAPSO. Further training is scheduled for October 1994 and January 1995. OPS is finalizing the contract with a university for the development and implementation of a customized training programme on contracting for services. All OPS staff involved in such contracting will participate. UNDP procurement staff will also benefit from this training, which is scheduled to start in January 1995.</p>	<p>Ongoing 31 January 1995</p>
<p>8. Response rates to invitations to bid should be closely monitored by management to identify the major reasons for non-response and to correct any recurring problems (paras. 12 (b), 38 and 193).</p>	<p>UNDP has agreed to take more action to ensure that the market is being truly tested. OPS now requires procurement officers to explain why an insufficient number of suppliers submitted bids, and also to short-list at least six suppliers for purchases over \$30,000 and nine or more for over \$100,000.</p>	<p>This matter is also being addressed by UNDP headquarters through the selection of preferred suppliers and a periodic review of such relations. OPS is also addressing this issue as part of its proposal, including revised procurement procedures, to the Executive Board at its October session on ways of establishing OPS as a separate and identifiable entity (DP/1994/62).</p>	<p>Ongoing</p>
<p>9. UNDP should improve its use of suppliers' rosters (paras. 12 (c), 38 and 197).</p>	<p>OPS is addressing the need for improving existing suppliers' rosters in the context of United Nations/IMIS project developments. The OPS suppliers' roster contains about 2,500 suppliers. The OPS Purchasing Section has instituted a new procedure to scrutinize suppliers closely, including financial/technical capacity. In addition, OPS now confirms the viability of a supplier with whom they want to contract for an amount of \$100,000 or more.</p>	<p>UNDP has initiated contacts with the United Nations Secretariat in order to access its roster system. In addition, the Common Vendor Database (CVD) developed by IAPSO is now installed in UNDP headquarters, and IAPSO has been provided with information on vendors used by UNDP. Wherever possible, the CVD, which comprises vendors used by all agencies, is being used.</p>	<p>Ongoing</p>
<p>10. UNDP should make more use of public advertising (paras. 12 (d), 38 and 198).</p>	<p>OPS does not normally resort to bid advertising, as it is not considered cost-effective, given the limited staff resources. None the less, UNDP and OPS intend to issue instructions in 1994.</p>	<p>In most cases, public advertising is impractical for headquarters procurement. However, this approach will be used for the selection of preferred suppliers. For larger procurement, both UNDP country offices and OPS make use of the IAPSO monthly procurement bulletin and the "development business" journal.</p>	<p>Ongoing</p>

Board recommendations	UNDP response	Follow-up actions	Status and target date
<p>11. UNDP should consider adopting a more flexible role for the Contracts Committee and invite purchasing specialists from other organizations (public and private) to attend the meetings of the Committee to bolster its expertise in procurement (paras. 12 (e), 39 and 202).</p>	<p>UNDP plans to re-examine the role and purpose, including consideration of introducing elements of flexibility in the scope of review, of the Contracts Committee and the Advisory Group on the Management of Other Support Services (AGMOSS). Revised guidelines will be issued in August 1994. UNDP welcomes the suggestion of the Board to consider inviting purchasing specialists from other organizations, including the private sector. UNDP agrees that the Contracts Committee and AGMOSS should benefit from a better understanding of modern procurement practices. However, there are financial implications in such an arrangement which merit careful consideration. Meanwhile, the Chief Procurement Officer will explore possible arrangements with counterparts at the United Nations and with other agencies in New York.</p>	<p>Proposed revisions to the UNDP financial rules and regulations on procurement have been submitted to the Executive Board for consideration at its October 1994 session (DP/1994/34). OPS is addressing this issue, including the creation of a separate Contracts Committee for OPS, as part of its proposal to the Executive Board at its October session on ways of establishing OPS as a separate and identifiable entity (DP/1994/62).</p>	<p>Ongoing 31 December 1994</p>
<p>12. UNDP should emphasize to all staff the importance of completing receipt and inspection reports (paras. 12 (f), 42 and 210).</p>	<p>UNDP acknowledges that it has been difficult to achieve compliance in this regard, especially at the country level, where full cooperation with country office end-users, who normally are outside of the purchasers' direct influence, is required. IAPSO has looked into this issue and has reported that most United Nations agencies are reporting similar difficulties in procurement for field operations. At the same time, recognizing the difficulty of obtaining receipt and inspection reports, OPS is exploring the possibility of utilizing the decentralized inventory approach adopted by UNDP for country offices, thereby assigning authority and responsibility to the person who is in charge of the project equipment, wherever possible.</p>	<p>The major component of procurement by UNDP headquarters is office supplies. In this regard, the problem of receiving reports has largely been resolved through revised instructions issued in February 1994. UNDP is currently exploring the possibility of introducing a purchasing card system in order further to resolve the problem of receiving reports and streamline the headquarters procurement process. The viability of this initiative will be determined by the end of 1994.</p>	<p>Ongoing 31 December 1994</p>

Board recommendations	UNDP response	Follow-up actions	Status and target date
<p>13. UNDP [should] introduce performance measures and targets as soon as practicable to assist management in monitoring and assessing the efficiency of procurement activities (paras. 12 (g), 43 and 211).</p>	<p>UNDP appreciates the materials provided by the Auditors on performance measurement and will review this material with the aim of developing some experimental procurement performance measures, bearing in mind that the tailoring of performance indicators to the specific conditions of each unit involved in procurement is a complex and technical task.</p>	<p>UNDP is currently assessing the possibility of introducing a purchasing card system, in an effort to revise the role of its Procurement Unit towards a function of substantive product assessment, vendor selection and contracts management. Performance indicators for this new function will be developed on an experimental basis.</p>	<p>Ongoing 31 December 1994</p>
<p><u>Programme and project management</u></p> <p>14. UNDP should consider streamlining the Country Programme Management Plan (CPMP) to focus on key issues where headquarters support is required. UNDP might consider moving towards "exception reporting" (paras. 10 (a), 22 and 119).</p>	<p>In order to address the issues cited by the Board, the changes required in UNDP programme management are being addressed systematically through a combined package of initiatives intended to strengthen financial accountability within a decentralized framework of authority. The new initiatives comprise a series of procedural adjustments to facilitate work planning, reporting, monitoring and performance measurement, and to introduce measures for improving programme and project quality. UNDP concurs with the thrust of the Board's recommendation that UNDP should consider streamlining CPMP documentation and move towards "exception reporting", i.e., concentrating on problem areas where headquarters support is required.</p>	<p>A working group on decentralization has been established and is currently revising country office review and reporting procedures, including the CPMP. This review is expected to be completed by the end of 1994.</p>	<p>Ongoing 31 December 1994</p>
<p>15. The Integrated Programme Management (IPM) project should be afforded high priority and be developed as soon as practicable (paras. 10 (b), 23 and 123).</p>	<p>At the operational level, UNDP has put in place a framework to direct and manage the implementation of this project on a priority basis.</p>	<p>The implementation of the IPM project is being actively pursued. The major components are already in operation. The overall conceptual framework for IPM, including a detailed plan and budget for the completion of the project, has been completed. A first set of high-priority activities is to begin before the end of 1994. (See also item 4.)</p>	<p>Ongoing 31 December 1994</p>

Board recommendations	UNDP response	Follow-up actions	Status and target date
16. UNDP should perform an evaluation of the effectiveness of local Project Appraisal Committees (PACs) as a matter of some urgency (paras. 10 (c) and 134).	In completing the programme management package, the performance of local PACs will be thoroughly reviewed and the results incorporated into the guidelines issued.	A working group on decentralization has been established and is reviewing the role of the various review mechanisms, including the PACs and the Programme Review Committee. The group will report its findings at the end of 1994. Meanwhile, initiatives have been taken by the regional bureaux to ensure that country offices comply with PAC recommendations.	Ongoing 31 December 1994
17. The appraisal process should be reinforced by systematic recording and follow-up of PAC recommendations (paras. 10 (d), 26 and 137).	UNDP agrees with the Board's recommendation; formal procedures to ensure compliance with PAC recommendations will be introduced in the near future.	See item 16.	Ongoing 31 December 1994
18. Suitable guidance, including training, on setting appropriate objectives and measuring their achievement should be provided to programme staff (paras. 10 (e), 27 and 141).	UNDP will take the Board's recommendations into consideration in the determination of training priorities. In addition, UNDP will take steps to improve output definition in ongoing projects where practicable.	See item 16.	Ongoing 31 December 1994
19. All parties involved in a project should formally approve the completed work plan to signify their commitment to achieving project objectives in the proposed time-frame and their agreement that the plan is realistic (paras. 10 (f), 28 and 144).	The Board's recommendations regarding the timely preparation of work plans and the need for a demonstrated commitment by all parties concerned are pertinent in this context.	See item 16.	Ongoing 31 December 1994
20. UNDP should reaffirm the requirement for on-site monitoring of projects (paras. 10 (g), 29 and 155).	UNDP agrees with the principle underlying the Board's recommendation regarding physical inspection of projects, but wish to ensure that, rather than being automatic, such visits should be directed to problem-solving and assigned on a priority basis, as in the Board's recommendation on "exception reporting".	See item 16.	Ongoing 31 December 1994

Board recommendations	UNDP response	Follow-up actions	Status and target date
<p>21. UNDP should introduce a formal mechanism to ensure that lessons learned from project evaluations are disseminated effectively (paras. 10 (h), 33 and 171).</p>	<p>The Administrator has created the new Office for Evaluation and Strategic Planning (OESP) to help ensure that future programming incorporates past lessons.</p>	<p>The OESP has already undertaken a comprehensive review of the use of feedback and will progressively introduce, during 1995-96, measures to relate evaluation results to management decision-making, including policy, improved oversight of the regional bureaux monitoring system applied in country offices, and dissemination techniques for target clients. All headquarters units will participate in this initiative. The revised monitoring system is expected to be implemented by mid-1995.</p>	<p>Ongoing 1 July 1995</p>
<p><u>Use of consultants</u></p> <p>22. There is scope for improving the procedures employed by UNDP in the selection and recruitment of consultants to ensure that the potential market is being adequately tested. In particular, the Board recommends that formal records, appropriately signed and reviewed, should be maintained which record the consultants considered for a post, the selection criteria applied, and justification of the final choice (paras. 11, 34 and 176).</p>	<p>UNDP will address these issues in revised guidelines which are currently being drafted and are expected to be issued by July 1994. UNDP also intends to introduce a centralized roster of consultants during 1994.</p>	<p>The Working Group on Special Service Agreements (SSAs) has revised its target date for the completion of the SSA guidelines to December 1994. This date will allow the Working Group to take into consideration the experience gained from the use of Activity of Limited Duration (ALD) contracts, which were introduced on a pilot basis in early 1993. The computerized central consultant roster, jointly managed by UNDP, OPS and UNFPA, with technical assistance from the Bureau for Policy and Programme Support for the screening of applicants, has been established and is currently in operation. The roster will be continually reviewed and updated.</p>	<p>Ongoing 31 December 1994</p>

B. United Nations Children's Fund

4. The measures taken or to be taken by the United Nations Children's Fund (UNICEF) in response to the recommendations of the Board of Auditors in its report for the biennium 1992-1993 2/ are described below.

Recommendation No. 1

5. The reporting procedures of the common premises project should be reviewed to ensure periodic apportionment of costs to participating organizations for disclosure in their accounts and to facilitate reimbursement to the primary funding organization.

Measures taken by UNICEF

6. The secretariat has been informed by the Subgroup on Common Premises of the Joint Consultative Group on Policy that the following procedures are in place in respect of new projects:

(a) Prior to implementation of the project, the United Nations Development Programme (UNDP) shall provide each participating agency with a breakdown of the estimated costs of proposals that have been approved by the Subgroup;

(b) The UNDP headquarters Contract Review Committee shall review and approve the award of contract, and each agency shall be notified of the criteria used, including details on the criteria for the selection of the architects, engineers and/or contractors;

(c) Each participating agency shall pay its share of the cost at each phase of project implementation in accordance with a schedule determining the phases of the project;

(d) UNDP shall provide all participating agencies with the detailed cost breakdowns to substantiate the costs incurred in excess of the awarded amount.

7. In 1994, the secretariat will bring to account all substantiated costs relative to these projects.

Recommendation No. 2

8. The administration may wish to re-examine the present policy on the utilization of the Emergency Programme Fund (EPF), given the limitations of the Central Emergency Revolving Fund, and make recommendations to the Executive Board on the effective use of EPF to strengthen the emergency readiness of UNICEF.

Measures taken by UNICEF

9. At its first regular session, held from 23 to 25 February 1994, the UNICEF Executive Board approved a proposal presented by the secretariat to increase the

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EPF ceiling for the biennium 1994-1995 from \$7 million to \$15 million a year. The increased ceiling will enable UNICEF to respond better to meet emergency needs when no inter-agency appeal has been launched and to serve as an indispensable cash flow for initiating actions in complex emergencies pending the receipt of donor contributions. Based on experience in 1994, this increased ceiling has enhanced the administration's capacity to respond quickly and effectively to emergency situations. Between January and July 1994, 14 countries were assisted with funding from EPF.

Recommendation No. 3

10. The use of special service agreements as a conduit for the engagement of short-term personnel to perform regular staff functions should be discontinued.

Measures taken by UNICEF

11. The administration has taken note of the recommendation. From 1994 onwards, care will continue to be taken to ensure that regular staff functions are not carried out by consultants employed under special service agreements.

Recommendation No. 4

12. The special agreements of UNICEF with the recipients of procurement services should be reviewed to include penalties for reimbursements that are delayed beyond a maximum agreed period.

Measures taken by UNICEF

13. The administration will review the possibility of including penalty clauses in procurement services agreements that are made with sovereign Governments, as well as the possibility of enforcing such clauses.

Recommendation No. 5

14. To bring operating costs down, the proposed expenditures on salaries and allowances of the staff of the new company providing the workforce to the UNICEF Supply Division warehouse should be reviewed.

Measures taken by UNICEF

15. The administration has noted the comments of the Board of Auditors and wishes to state that the invoices of Pakhusfonden (the Warehousing Foundation) are under regular review to ensure that the services provided are charged to UNICEF at acceptable rates.

Recommendation No. 6

16. The clean-up of the staff personal accounts should be expedited to assure integrity of this account.

Measures taken by UNICEF

17. The administration will continue to analyse and monitor closely staff personal accounts in 1994. In the process, the secretariat will assess the new Personal Advances and Recovery (PAR) system implemented in 1994 which is expected to assist significantly in monitoring staff personal accounts. The PAR system will automate what used to be a manual process of matching recoveries against advances. Further, the secretariat will assess implementation of the accounting instruction that was issued in late 1993 to ensure that it is carried out properly and completely.

Recommendation No. 7

18. Competitiveness in the hiring of freight forwarders should be improved to ensure transparency and value for money in shipping activities.

Measures taken by UNICEF

19. The administration carries out reviews of the cost of freight as a mechanism for ensuring that the freight forwarders providing services to UNICEF are obtaining the most competitive sea freight rates. As an example of the results of such negotiations, the administration has negotiated special rates with most ocean conferences. Further, a review of the present list of freight forwarders, of which there is one in each European country where UNICEF purchases, has been initiated and will be continued during the next 12 months.

Recommendation No. 8

20. The field offices should review all cash assistance to government accounts and submit proposals for write-off, in accordance with the established criteria, of balances that have remained unliquidated for several years.

Measures taken by UNICEF

21. The secretariat is now following up regularly with field offices whose cash assistance balances have remained unliquidated for several years. In these follow-ups, the secretariat has requested the field offices to ensure that government ministries and agencies submit the liquidation reports within the prescribed period and identify those that would qualify for write-off. Further, the secretariat has reminded the field offices to follow the prescribed procedures for the eventual write-off of these identified accounts.

Recommendation No. 9

22. UNICEF headquarters should expedite the reporting of remittances received on behalf of the Greeting Card and related Operations (GCO) to enable a factual recording to be made in the books of the GCO, New York and Geneva.

Measures taken by UNICEF

23. The administration has reviewed the situation and has identified a number of causes. The secretariat will continue to pursue and complete the following measures by 1995:

(a) The development of standard remittance forms that will include all required information to facilitate rapid identification of donors and contributions;

(b) The enhancement of systems to allow mutual electronic access between the divisions concerned;

(c) The modification of the reporting forms used by the national committees for UNICEF and sales partners to facilitate financial information on revenues they raise.

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

24. The actions taken or to be taken by the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) to implement the recommendations of the Board of Auditors in its report for the biennium 1992-1993 3/ are set out in the table below.

Board recommendation	Actions initiated	Actions proposed
<p>1. Programme delivery should be further improved through comprehensive project planning, including adequate feasibility studies and the elimination of avoidable delays in project execution.</p>	<p>All field offices have been requested to adequately plan all projects and prepare, where necessary, feasibility studies; the development of the Peace Implementation Programme, introduced in September 1993, has already resulted in a marked improvement in project planning.</p>	<p>N/A</p>
<p>2. Utilization of idle computers in the West Bank should be consistent with the original purposes for which they were acquired; the Agency should also establish a clear policy on the administrative use of programme equipment to ensure efficient utilization of project funds.</p>		<p>UNRWA's administrative instruction on personal computer facilities, to be issued in October 1994, will establish the Agency's policy on the administrative use of project-funded equipment.</p>

Board recommendation	Actions initiated	Actions proposed
<p>3. Property management and accountability should be emphasized as follows:</p> <p>(a) Missing property items should be fully investigated to establish personal responsibility for any losses;</p> <p>(b) Adequate property records should be maintained;</p> <p>(c) Movements of items should be properly authorized and adequately documented;</p>	<p>The Agency has set up a register of fixed assets and any missing assets have been investigated. The Agency has an annual confidential exercise to confirm the physical existence of items appearing on the register. Any missing items are, of course, fully investigated. All department heads have been reminded that they must notify the Supply Division of any movements in the location of property.</p>	N/A
<p>(d) Responsibility for the control of property should be formally delegated to appropriate custodians</p>		N/A
<p>4. The Agency should establish and enforce a clear policy on the ownership of property acquired for projects through third-party contributions/donations.</p>	<p>The Agency's position is that ownership of such property resides with the Agency. Only when the Agency decides that such property is of no value to the Agency can ownership be transferred.</p>	N/A
<p>5. The Agency's Motor Transport Technical Instructions should be reviewed to include the payment of a reasonable compensation to the Agency as a cost-recovery measure and to emphasize personal accountability for damage to property.</p>	<p>The relevant Motor Transport Technical Instruction has been reviewed. It currently allows staff to be charged up to a maximum of 10 per cent of salary if they are deemed negligent. If gross negligence is involved, the total cost of the damage may be levied.</p>	N/A

Board recommendation	Actions initiated	Actions proposed
<p>6. UNRWA headquarters should consult with the field offices in the procurement of equipment meant for projects implemented outside of headquarters.</p>	<p>The Office of Projects and Development maintains close contact with and cooperates fully with all field offices in the formulation of project proposals. This has been strengthened by the relocation of the office to Jerusalem in September 1994, which is thus now based in the area of operations and closer to all the areas of operation.</p>	N/A
<p>7. Early action should be taken to ensure adequate segregation of duties and responsibilities of the staff of the computer operations unit to provide assurance of data integrity.</p>	<p>The Agency has changed logging procedures and job description of one staff member to reflect more accurately the duties. The Agency is of the opinion that data integrity is now adequately protected.</p>	N/A

D. Voluntary funds administered by the United Nations High Commissioner for Refugees

25. The voluntary funds administered by the United Nations High Commissioner for Refugees (UNHCR) are audited by the Board of Auditors on an annual basis. The summary of recommendations of the Board of Auditors in its report for the year 1993 ⁴/ and the measures taken, or to be taken, to implement those recommendations are set out below.

Recommendation 9 (a)

26. In addition to providing guidelines and better tools for registration of refugees, conditions conducive to organizing the registration should be created in concert with the host Governments and main implementing partners in order to ensure the delivery of benefits to genuine refugees, thereby avoiding wastage and leakage of resources (para. 9 (a)).

Measures taken by the administration

27. The administration previously informed the Board that draft registration guidelines and a registration kit had been developed and tested and would be finalized in the first half of 1994. In addition, a field-based registration system to provide computer support needed for a registration exercise would be developed and would be deployed as part of the emergency preparedness and response kit. Subsequently, UNHCR's registration guidelines were issued, standard registration items were stockpiled at headquarters and appropriate software produced. A post of regional registration officer was created in Nairobi, Kenya, and a roster of registration experts is being established. Also, while registration is already part of UNHCR training courses, a specific registration training package is currently being developed. The new approach to registration has already been implemented in Kenya and the United Republic of Tanzania and, at the time of writing, preparations were under way to apply this to the ongoing Rwanda emergency. As support from and cooperation with Governments, implementing partners and refugees is essential for registration to succeed, the guidelines have been shared with various implementing partners. However, while it is clear that, in both emergencies and ongoing refugee situations, procedures must be available to ensure reasonably correct assessments of refugee population figures, it must also be understood that, in certain cases, the question of providing material assistance and protection to refugees, returnees or internally displaced persons will be more of a priority at a particular point in time than a precise enumeration exercise and, consequently, methods for estimating populations will be used. Similarly, it should be noted that, in certain countries, such exercises are difficult or even impossible to undertake due to resistance among the beneficiaries or even the host Government. Thus, while new tools have now been made available to facilitate such exercises, the creation of conditions conducive to organizing a census will, in many cases, depend on the circumstances prevailing in a given country or area.

Recommendation 9 (b)

28. Steps should be taken to contain within a reasonable limit both the direct and indirect staff costs and the administrative expenditures relating to UNHCR programmes. In particular, norms should be established to regulate the overhead costs of implementing partners (para. 9 (b)).

Measures taken by the administration

29. As the administration informed the Board, UNHCR has completed a categorization of posts which distinguishes more appropriately between administrative support activities and activities related directly to the delivery of programmes. Furthermore, UNHCR staffing levels in the field and at headquarters, as well as the corresponding support costs, are now examined during the annual regional operations review meetings as an integral component of the review of programmes. As regards norms to regulate the overhead costs of implementing partners, a draft revision to the appropriate section of chapter 4 of the UNHCR Manual has been finalized and, at the time of writing, was awaiting signature. The same principles have been incorporated in a "Programme and project management handbook for UNHCR implementing patterns", a draft of which has been produced and circulated to various implementing partners for comments as a result of the Partnership in Action (PARINAC) process. UNHCR expects to produce a final version of this handbook by the end of the year. It should be recognized, however, that this will continue to be an area of some controversy since a number of UNHCR's larger implementing partners insist on overhead costs based on a percentage of their operational budgets, whereas UNHCR prefers detailed budget line items. It should also be recognized that, in general, projects with lower budgets will tend to have a higher proportion of administrative overheads. This applies particularly in countries where more protection activities are undertaken as compared to assistance activities. Salaries and other related costs of, for example, legal counsellors may constitute the majority of an implementing partner's budget, since no material assistance would be provided.

Recommendation 9 (c)

30. Greater emphasis should be laid on imparting necessary training to the implementing agencies and on undertaking effective physical and financial monitoring visits to, and evaluation of projects by, UNHCR field offices, in order to overcome the deficiencies in project implementation (para. 9 (c)).

Measures taken by the administration

31. UNHCR has recognized the need to impart training to implementing partners. This was confirmed by the High Commissioner in the PARINAC meetings held at Oslo in June 1994. The first measures in this direction were taken through the issuance of instructions to field offices, in July 1994, requesting them to budget for protection, programme management and certain other types of training for non-UNHCR staff under operational projects according to priorities defined in the country operations plans. As regards training for UNHCR staff, UNHCR's programme management training course has been revised and implemented in

conformity with the new programme management framework. The objective of the training is to improve the quality of UNHCR's assistance programmes by enhancing the knowledge and skills of UNHCR staff members in programme management, including, inter alia, monitoring and evaluation, working with implementing partners, and the role of programmes and field officers and support staff.

Recommendation 9 (d)

32. In order to ensure prompt signing of project agreements and smooth implementation of projects, there should be greater involvement of implementing partners in project formulation (para. 9 (d)).

Measures taken by the administration

33. As part of the already instituted modifications to UNHCR's programming cycle (recommendation by the Working Group on Programme Management and Operational Capacity in June 1993), field offices are urged to undertake annual strategic planning exercises which should involve implementing partners. Thus, these exercises involve UNHCR programme, administrative and protection staff, as well as implementing partners, and are intended to formulate strategies for phased implementation and to set the objectives, parameters and priorities of the various components of the Country Operations Plan. Recent experience has shown that such exercises provide the opportunity for an evaluation of the performance of UNHCR and its implementing partners, foster better cooperation among internal and external work units, and result in a more integrated approach to the planning and execution of all aspects of UNHCR's work.

Recommendation 9 (e)

34. The propriety of the peculiar arrangement with an implementing partner for staff and equipment support for the field office in Hong Kong should be examined in the context of the need for control over staffing and acquisition of non-expendable items, and a more effective and transparent alternative adopted. This examination should also cover such arrangements elsewhere (para. 9 (e)).

Measures taken by the administration

35. The questions raised are pertinent to the implementing partner in Hong Kong for staff and equipment support, which is similar to those in Thailand and the Philippines. The rationale for such arrangements was to avoid high expenses of international staff by resorting to local recruitment.

36. It is true that a large number of staff are hired in Hong Kong. However, this should be seen in the context of UNHCR activities in Hong Kong, namely, the screening process, which is an intensive and lengthy process requiring many staff members. The other element to be considered is the complexity of the situation in the camps, where high, perhaps even excessive, numbers of staff were engaged in community services. The matter is being reviewed systematically. Significant reductions are and will continue to be carried out in 1994, and the arrangement will be completely phased out by the end of 1995.

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Recommendation 9 (f)

37. Appropriate language versions of important manuals and guides should be available in the various regions where UNHCR operates (para. 9 (f)).

Measures taken by the administration

38. Remedial action has been taken in accordance with the recommendation.

Recommendation 9 (g)

39. In future, engagement of personnel for the regular work of UNHCR should be limited to the authorized level of posts and effective staffing control should be exercised. The proposed comprehensive recruitment plan should be established without further delay (para. 9 (g)).

Measures taken by the administration

40. UNHCR agrees that, in principle, engagement of staff for the regular work of UNHCR should be limited to the authorized level of posts and that effective staffing control should be exercised. This problem has now been addressed in broader and comprehensive terms under the concept of emergency preparedness and response. Under these proposed solutions, emergency teams would be deployed immediately to respond to early critical needs pending the creation of posts for regular staff for longer periods. Methods to speed the creation of posts in emergency situations are being examined with a view to reducing further the need for temporary staff or consultants to perform essential tasks after the departure of an emergency team and the arrival of staff assigned to the newly created posts.

41. A comprehensive recruitment plan is difficult to devise in the context of a rapidly-evolving situation. UNHCR is faced with the task of finding staff for unforeseen emergencies for which advance planning of recruitment is difficult. Guidelines for recruitment have been established with a view to improving the geographical balance of UNHCR staff and, in particular, increasing the number of women in the Professional and higher categories. In addition, new regulations for the appointment of local General Service staff have been agreed upon by management and staff and promulgated by the High Commissioner. These regulations delegate to larger field offices the authority to establish local appointment committees for General Service staff, allowing recruitment planning and implementation to take place in the field of respective duty stations.

Recommendation 9 (h)

42. The Training Section of UNHCR headquarters should be qualitatively strengthened effectively to plan, implement and evaluate the training programme, consistent with the changing needs, and adequate resources should be made available for the programme (para. 9 (h)).

Measures taken by the administration

43. UNHCR has undertaken a career management system project to revise many aspects of its human resources management system. An essential element of the new system will be an enhanced and enlarged training service. To implement the revised human resources management system, staff at all levels of the organization will need to be trained not only in the skills needed to operate the new system, but also to establish a set of shared values which will be the foundation for objective performance evaluation and other personnel management actions. In addition, the recent PARINAC conference revealed a strong desire by UNHCR's operational partners to participate in UNHCR-organized training programmes. UNHCR, therefore fully agrees with the auditors' conclusions that the Training Section, renamed the Staff Development Section to emphasize its broader mandate, needs to be strengthened over the next two years and that its programmes need to be evaluated and changed as necessary to meet the evolving needs of UNHCR.

Recommendation 9 (i)

44. Measures should be taken early to enable timely and cost-effective procurement of goods and services, including preparation of annual purchasing plans, decentralization of procurement as far as possible, standardization of prices at least in the short-run, greater use of penalty provisions for late delivery in purchase orders and effective monitoring of procurement made by implementing partners (para. 9 (i)).

Measures taken by the administration

45. The Board's recommendations to enhance timely and cost-effective procurement have been reviewed by the administration. The criteria of quality, quantity and time relative to the need have always been the basis of which UNHCR purchasing decisions are taken even when this requires acceptance of a more expensive offer, as long as the need has been established. The demands on the section, compared to its staff resources, are too great to respond immediately to every request; hence the importance of prioritizing.

46. Notwithstanding, UNHCR agrees that measures can be taken to improve the effectiveness of the purchasing function. The Board's recommendations have been considered and steps taken to implement those proposals as appropriate. Since the audit, UNHCR has filled the post of Regional Procurement Officer in Johannesburg. The incumbent is responsible for purchases and supplier development in the southern Africa region. Close collaboration with the Regional Procurement Officer based in Nairobi, who has similar responsibilities in East Africa, has enhanced the ability of the supply function to respond rapidly to regional requirements. The benefits of this arrangement have already become apparent during the current Rwanda refugee crisis.

47. Headquarter's Committee on Contracts has approved a number of requests by field offices to constitute local contracts committees to consider purchases up to, generally \$200,000. The most recent case is the UNHCR office in Tajikistan. Local conditions, particularly the difficulties of transporting goods into the

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region, have made it necessary to depend to a large extent on local suppliers. The local committees have made it possible for programmes with large supply inputs to have much firmer control over the purchasing process.

48. A pilot project is in preparation that will enable the field offices to submit purchase authorizations directly to the Supply and Transport Section (STS) for action. When fully implemented, the local offices will be able to exercise a greater degree of control over the timing of their purchases.

49. UNHCR made greater use of long-term price agreements during 1994 than ever before. Stand-by arrangements with manufacturers of blankets and cooking sets, initiated two years ago, have been expanded with the Committee on Contracts' approval of the STS placing orders immediately with the suppliers in response to emergency situations. The range of computer and communications equipment that has been approved under the Committee on Contracts' standardization policy has been broadened. The radio equipment previously authorized by the Committee on Contracts is currently under review by the relevant technical unit with a view to renewing the policy for another two years. In addition, the approval of the Committee has been sought to standardize the supply of office and field kits. Increasing use is also made of placing orders, with the approval of the Committee, against offers with extended validities. Unfortunately, not all attempts to standardize have been successful. A recent attempt was made to standardize the price of plastic sheeting in anticipation of the large requirement of the Rwanda refugee programme. The effort was stymied by the price instability of raw material on the world market, which made suppliers reluctant to offer long validities. Further attempts to extend the scope of this effort will be made when appropriate products have been identified.

50. UNHCR agrees with the Board that under ideal circumstances the Annual Purchase Plans (APP) would provide a useful tool for negotiating favourable prices for commonly used items. When received, the APP permitted the STS to provide early feedback on budgets, specifications and lead-times. Delays at the time the purchase authorizations were raised could thereby be obviated. However, the reality of UNHCR's programmes, particularly in recent years, has severely limited the value of the APP as a planning tool. UNHCR does not operate in a sufficiently stable environment to enable the STS to optimize the value of the APP. Unforeseen circumstances can either change the situation very dramatically or the need for relief items is so pressing and large that long-term agreements based on regular and predictable orders are inadequate to meet needs. For these reasons, the submission of the APP has been removed from the 1994/95 programming exercise.

51. Currently, the vast majority of purchases are made under emergency or special programmes that by definition are not amenable to long-term planning. The current emergency in central Africa provides an example. Thus far in 1994, UNHCR has made purchases for approximately \$120 million. Purchases for the affected countries since April alone account for \$41.3 million, or 33.5 per cent. Most, if not all, of these purchases could not have been foreseen prior to the start of this operation. Former Yugoslavia in 1992 and Iraq in 1991 provide other examples of a similar or even greater magnitude. The utility of the APP has been further reduced because of funding constraints and particularly because the inflow of pledges for the annual programmes is not

regular and does not permit the obligation of funds to cover purchasing requirements as planned.

52. UNHCR has, however, taken a number of concrete measures to ensure that it is able to meet unexpected and large requirements in a timely and cost-effective manner. Previously note was made of the stand-by arrangements concluded with selected suppliers of blankets and cooking sets. UNHCR has also created regional warehouses in Amsterdam (Netherlands), Iskenderun (Turkey) and Dubai (United Arab Emirates). Large stocks of commonly requested relief items, including vehicles, are maintained at these locations, enabling UNHCR to respond immediately to emergencies and other urgent requirements. Apart from the availability, a major advantage of the warehouses is that they have enabled UNHCR to make significant savings by accepting lower offers with longer delivery times without compromising the ability quickly to fill a request from the field. It should further be noted that a significant percentage of the value of UNHCR's purchases is made under negotiated standardization/price agreements. The value of these purchases has amounted to \$31 million, or 26 per cent so far this year, and the number of items included in such arrangements is continually growing.

Recommendation 9 (j)

53. The proposed review of insurance arrangements should cover, inter alia, the condition governing the profit-sharing commission, the system of filing declarations of goods in transit for insurance and the possibility of further reduction in the premiums paid (para. 9 (j)).

Measures taken by the administration

54. While the question of insurance arrangements needs to be reviewed, the emergencies faced by UNHCR this year have, unfortunately, made it necessary to postpone the earlier commitment to review these arrangements. In the meantime, UNHCR is participating in discussions which, through the Inter-Agency Procurement Services Office, are currently under way to rationalize, on a United Nations system-wide basis, the insurance arrangements of the various agencies. Arrangements have been made for companies that insure other United Nations agencies to come to Geneva to make a presentation.

Recommendation 9 (k)

55. Measures to ensure the best return on investments and cash resources, including qualitatively strengthening the Treasury Section, should be expeditiously taken (para. 9 (k)).

Measures taken by the administration

56. Maximum investment levels per bank were increased to ensure higher returns. Cash balances and the number of non-interest-bearing bank accounts were further reduced. The Treasury Section has been strengthened by the temporary assignment of an experienced staff member from the Professional category. The

Administration is considering further and more permanent arrangements in the light of the overall priorities of the Office.

Recommendation 9 (1)

57. Apart from reviewing the procedures on obligation of funds and the project spending process, the project budgeting techniques and procedures should be refined so that the budget could become a more effective tool for expenditure control (para. 9 (1)).

Measures taken by the administration

58. Project and expenditure control has been a key objective during 1994 and will continue in 1995.

(a) An extensive review of the obligations and project spending process has been undertaken. The recommendations from the review are far-reaching and will necessitate some fundamental changes to existing accounting processes, systems, procedures and responsibilities. Senior management has accepted that change is necessary and is examining alternative arrangements which would come into force in the last quarter of 1994.

(b) Project budgeting techniques and procedures are being continuously refined, and a number of new options are currently being assessed. Existing computer systems represent a short-term constraint. A more radical review and more fundamental changes are likely to be undertaken following the specification of organizational, structural and system changes during 1995.

(c) UNHCR's project control efforts have also been extended to implementing partners. During 1994, new procedures and systems for implementing partner monitoring and for project closure were developed. Further developments are planned in 1995, including more training, monitoring and analysis, as well as a more thorough assessment of performance, by implementing partners.

E. Fund of the United Nations Environment Programme

59. Some of the specific actions taken, or to be taken, by the Fund of the United Nations Environment Programme to implement the recommendations of the Board of Auditors in its report for the biennium 1992-1993 5/ are summarized below.

A. Two former staff members were engaged as consultants under circumstances which infringed on United Nations rules and procedures

60. To prevent this from happening in the future, the new Executive Director has instituted in her office a rigorous control mechanism to review requests for special service agreements and to make sure that they are in conformity with the existing rules and procedures. The advice of the auditors is fully taken into account.

B. Award of contracts without bidding

61. Contracts were awarded without bidding only in rare instances, especially in times of pressure. In the future, advance planning will ensure that instances in which contracts are awarded without bids are reduced to a strict minimum.

C. Outstanding project outputs

62. UNEP will insure the timely publication and distribution of outputs. Managers have been requested to follow up on the outstanding outputs until they are produced and distributed.

D. Delayed submission of project reports

63. Managers have been urged to continue the effort to get the required reports during the implementation of projects and to secure the timely submission of programme reports.

E. Evaluation of project deliveries

64. UNEP will continue the required evaluation as provided by the Governing Council and will increase its efforts to evaluate ongoing projects as recommended by the Board of Auditors.

F. Reimbursement of telecommunication taxes

65. UNEP is still pursuing the option of obtaining reimbursement of the outstanding amount from the Kenya Government. If this fails, the option to set off the amount against subsequent payment due to the Kenya Posts and Telecommunications will be further reviewed.

G. Cases of fraud and presumptive fraud

66. The Personnel Section is streamlining the procedures for checking the validity of receipts and is thoroughly checking claims prior to payment.

H. Management Information Systems unit

67. UNEP agreed with the observation of the auditors that all computerization activities should be preceded by a detailed systematic analysis. The concept of "computerization" should include not only applications systems development but all computerization activities. In this regard, it should be noted that an extensive systems analysis was documented in 1986-87, including design documentation, resource estimates and implementation schedules.

I. UNEP publications

68. The recommendation of the auditors that an annotated bibliography of all publications should be issued has been implemented.

F. United Nations Population Fund

69. The actions taken, or to be taken, by the United Nations Population Fund (UNFPA) to implement the recommendations of the Board of Auditors in its report for the biennium 1992-1993 6/ are set out below.

Board's recommendations

Administration's response

Advances to executing agencies

1. All disbursement reports received before the closure of the accounts should be reflected in the correct year of account (paras. 9 (a) and 32).

Measures are being taken to ensure that, in future, all disbursement reports are recorded in the accounting period to which they relate.

2. UNFPA should ensure that disbursement reports from agencies are returned promptly and that the funds advanced to agencies are in accordance with their needs (paras. 9 (b) and 33).

UNFPA is intensifying its efforts to ensure that disbursement reports are returned promptly to UNFPA. In addition, it has strengthened its mechanism for monitoring expenditures and for training project and field office staff.

Trust funds

3. In future, trust fund interest should be credited to the fund in the year it is earned (paras. 9 (c) and 46).

UNFPA agrees with this recommendation and has changed its policy accordingly.

Programme and project management

4. Future programme review and strategy development (PRSD) exercises should include a full evaluation of past programme performance (paras. 9 (d) and 54).

UNFPA agrees that future PRSD exercises need to be strengthened to include a full evaluation of past programme performance. The PRSD guidelines, including the issue of a more complete evaluation of past programme performance and the implication for future programme activities, are being carefully reviewed and revised by an internal task force in light of the increased levels of authority delegated to the field offices, which took effect from December 1993.

Board's recommendations

5. With regard to continuing problems with project design and formulation, greater efforts should be devoted to training, particularly for field staff (paras. 9 (e) and 73).

6. Project appraisal procedures should be applied more vigorously at all levels (paras. 9 (f) and 73).

7. During project planning, more attention should be paid to assessing the capabilities of executing agencies (paras. 9 (g) and 77).

Administration's response

UNFPA concurs with the recommendation concerning the need for training of field staff in order to overcome shortcomings in project design, and has initiated appropriate training activities accordingly. The Fund has examined the entire project cycle and has summarized, in a single document, all existing UNFPA policies and procedures that pertain to the country programming cycle. The document is designed to provide guidance in the proper application of existing guidelines.

The Fund agrees that project appraisal procedures need to be applied more vigorously at all levels. As part of the overall review of the programme cycle referred to above, UNFPA is streamlining and strengthening procedures concerning project appraisal. In keeping with increased decentralization of authority to the field offices, UNFPA has instituted a number of new requirements, including a field-level project appraisal committee, which is to function in the field in the same manner as the Project Review Committee operates at headquarters i.e., to review, appraise and recommend for approval project proposals.

UNFPA is developing guidelines to assess the capabilities of national institutions to execute UNFPA-supported projects. In response to views expressed at the first annual session of the UNDP/UNFPA Executive Board in June 1994, the Executive Director indicated that UNFPA would undertake in 1996 an evaluation of its experience with executing agencies.

Board's recommendations

8. Project documents should include a statement of the requirements expected of executing agencies. UNFPA should monitor performance against those statements (paras. 9 (h) and 80).

Administration's response

UNFPA is currently preparing new sectoral programme guidelines which will require that project documents include a statement of the requirements expected of executing agencies and a work plan to ensure that each component of the project is monitored on a month-by-month basis.

Procurement of goods and services

9. The policy of providing brand-name products on request should be reviewed, in the light of the significant potential savings arising from the substitution of equivalent generic products (paras. 9 (i) and 92).

The Fund has drafted guidelines to address this issue.

10. UNFPA should take full advantage of the benefits accruing from coordinating procurement activity (paras. 9 (j) and 94).

UNFPA works closely with cooperating agencies in order to coordinate the procurement of contraceptives. As a result, UNFPA has built up considerable expertise in the procurement of contraceptives on a competitive basis and is now one of the largest single procurers of contraceptives world wide. UNFPA will continue its efforts to maximize the benefits of the coordinated procurement of contraceptives, including those to strengthen the Fund's capacity in this regard.

Management of information technology

11. All future information technology projects should be subject to a cost-benefit analysis (paras. 9 (k) and 109).

Where appropriate and practical, UNFPA will conduct cost-benefit analyses, to the extent possible, before it commences office automation projects.

G. United Nations Habitat and Human Settlements Foundation

70. The actions taken, or to be taken, by the United Nations Habitat and Human Settlements Foundations to implement the recommendations of the Board of Auditors in its report for the biennium 1992-1993 7/ are set out in the table below.

<u>Board recommendations</u>	<u>Action to be taken</u>	<u>Actions to be completed in 1994</u>	<u>Actions to be completed in 1995</u>
1. (Para. 17) Disclosure of: (a) funds held in non-convertible currencies; (b) financial reserve; (c) inventory value of non-expendable property	Items (a) and (b) to be disclosed in necessary detail in the 1994-1995 accounts; continuous updating under way on item (c).	Continuous updating of inventory is under way; inventory will be regularly updated.	Items (a) and (b) to be completed by 31 January 1996 in the preparation of the accounts for the biennium 1994-1995.
2. (Para. 18) Priority 6: Special account for programme support costs	Prepare additional financial statement to show income and expenditure, assets and liabilities, and the balance of this special account.		Include the additional statement in the accounts for the biennium 1994-1995; to be completed by 31 March 1996, after the closure of the accounts of the biennium.
3. (Para. 19) Declining investments	Cash management to be improved.	Ongoing activity from August 1994.	
4. (Para. 21) Budgetary control	Further strengthen the budgeting system and expenditure control.	Ongoing activity from August 1994.	
5. (Para. 23) Printing requirements to be adequately planned to provide adequate lead time for delivery	Adequately plan and coordinate the timing of printing requirements; finalize a systems contract for printing to obviate repetitive bidding.	Plan of printing requirements for 1995 to be completed by December 1994.	A systems contract for printing to be finalized in early 1995.
6. (Para. 26) Priority 3a: Annual procurement plan to be prepared	Prepare annual requirements for goods and services and prepare procurement plan in order to avoid piecemeal purchases.	1995 requirements for goods and services to be completed by December 1994.	Implement 1995 procurement plan from January 1995.
7. (Para. 29) Priority 3b: Renewal of contracts	Existing contracts are being renewed only after competitive bidding, but the Committee on Contracts should scrutinize any exceptional proposals for awarding or extending contracts without competitive bidding.	Ongoing: Committee on Contracts is scrutinizing exceptional proposals.	
8. (Para. 31) Shortcomings in programme management	Closer monitoring of project implementation.	Ongoing	
9. (Para. 33) Editing delays	Coordinate editing requirements with closer monitoring of pending work on project outputs.	Ongoing	
10. (Para. 37) Priority 1a: Monitoring and oversight to be strengthened in order to realize the outputs on time and in full measure	The exercise on monitoring the work programme to be strengthened.	Ongoing	
11. (Para. 37) Priority 1b: Effective internal evaluation: evaluation to be undertaken of completed projects	Recruit an evaluation officer; prepare and implement evaluation programme.	Recruitment under way	Evaluation programme to be completed by January 1995.

<u>Board recommendations</u>	<u>Action to be taken</u>	<u>Actions to be completed in 1994</u>	<u>Actions to be completed in 1995</u>
12. (Para. 42) Priority 2: Overprinting of documents: explore the possibility of gainfully utilizing the existing stock; review systems and procedures relating to printing and distribution	(a) Some stock being distributed; some stock being sent for recycling; (b) Policy on print run to be formulated; policy on distribution to be reviewed.	(a) Ongoing (b) To be completed by December 1994	
13. (Para. 45) Priority 4: Computer Committee: the proposed information technology committee to be instituted as soon as possible	Consider instituting an information technology committee.	Review of mandate of Computer Committee to be completed by September 1994; possible institution of an information technology committee to be considered by December 1994.	
14. (Para. 47) Priority 5: Systems analysis: ensure that proper systems analysis is carried out before undertaking an information technology project not covered by the Integrated Management Information System	Engage the services of a systems analyst.	To be implemented gradually as resources permit.	January 1995 onwards
15. (Para. 48) Systems evaluation: devise a method of periodically evaluating the utilization of systems	Engage the services of a systems analyst.		January 1995 onwards

H. United Nations University

71. The measures taken, or to be taken, by the United Nations University (UNU) to implement the recommendations of the Board of Auditors in its report for the biennium 1992-1993 8/ are described below.

Paragraph 9 (a) - Project management

72. By the end of 1994, a comprehensive system of project monitoring and control will be in place at UNU/Institute for New Technologies (INTECH). To this end, the Director of UNU/INTECH continues to convene regular management meetings with the academic staff responsible for the implementation of the projects to review progress and deal with constraints and delays, as well as to set priorities.

73. The dissemination mailing list at UNU/INTECH has now been increased to over 3,000 properly selected addresses and more will be added in the coming months. As a result, by July 1994, UNU/INTECH had distributed just over 20,000 copies of working papers from a series of 13 such papers, and an additional 6 working papers will be edited and published for distribution by the end of October 1994. In addition, 6 academic books containing the key outputs of UNU/INTECH in its initial phase are now ready in draft and will be published soon, and a further 3 books will be ready before the end of 1994.

Paragraph 9 (b) - Budgetary control

74. The University has further improved its allotment mechanisms to monitor the utilization of its variety of funds for programme activities. Accordingly, the allotment accounts are reviewed on a monthly basis and adjusted as required in respect of changes in programme scope and schedules.

Paragraph 9 (c) and (d) - Consultants and experts

75. Within its Charter mandate to devote its work to research into the pressing global problems of human survival, development and welfare that are the concern of the United Nations and its agencies, the University will make further efforts to attain equitable geographical distribution of scholars and scientists participating in its work, particularly those in developing countries. In this regard, the University continues to provide fellowships to enable scholars and scientists from selected institutions in developing countries to undertake research training within the University's programme areas, and those fellowship activities form an integral part of the University's contribution to capacity-building in developing countries.

76. The University has over the years compiled lists of scholars and scientists who have participated in its work, and such lists have partly served as a roster, as called for in Article VI of its Charter. By January 1995, the University will have a fully established computerized Programme Information Monitoring System (PIMS) which will include up-to-date and readily accessible information on scholars and scientists in its field of work. PIMS will thus form an organic link between the University's headquarters in Tokyo and its research and training centres and programmes in various parts of the world.

77. The University's contractual research arrangements with individuals and institutions are reviewed monthly, and further efforts will be made to expedite the completion of each particular research contract, bearing in mind that in some instances more time than originally planned might be required for completing the research. With regard to the schedule of payment of fees for such research, the University will modify the terms of payment of fees in a manner that would act as a further incentive to expedite the work, taking into account that it is often necessary to make some payments initially, particularly for research work in developing countries where the individual researchers and/or their institutions would not have sufficient funds of their own for commencing their work on behalf of the University. The final payment is of course contingent on the completion of the research work.

Paragraph 9 (e) - Headquarters building

78. The University continues to make every effort to augment the income from its headquarters building, in addition to the contributions of about US\$ 1 million annually from 1994 onwards to be paid by the offices of the United Nations organizations which moved into the building in 1993. However, the University has so far been unable to obtain any income from the ground floor of the building, which is meant to house revenue-generating activities, since that part of the building has not yet been completed by the Government of Japan, and it would be difficult at this stage to give any definite timetable as to when additional income from the building would be forthcoming. Furthermore, the University needs the approval of the Government of Japan and the Tokyo Metropolitan Government in order to have any occupant/tenant in the building. It should be noted that it would be difficult to generate sufficient income from the building to match the expenditures for its maintenance and operation.

I. Fund of the United Nations International Drug Control Programme

79. The measures taken, or to be taken, by the United Nations International Drug Control Programme (UNDCP) to implement the recommendations of the Board of Auditors in its report for the biennium 1992-1993 ^{9/} are described below.

Audited expenditure statements from executing agencies

80. The Board recommends that UNDCP formalize and clarify its arrangements for receiving audited expenditure statements from its executing agencies. Currently, a provision for the submission of audit statements is included in UNDCP's agreements with executing agencies. In response to the audit observation, a reminder was sent to all executing agencies on 2 June 1994, requesting audited financial statements. A majority has already responded, either submitting the required documentation or indicating that the audited statement will be provided as soon as it is available. In future, UNDCP will continue on a regular basis to remind executing agencies of their obligations to submit audited statements. However, there is clearly a problem of timing, which is also experienced in other United Nations agencies or programmes, such as UNDP. In many cases, executing agencies will not have audited statements

available in time prior to the conclusion of the audit of UNDCP. Thus, such statements can only be made available at a later stage.

Financial accounting arrangements

81. The Board recommends that UNDCP should review and simplify accounting arrangements for the fund of UNDCP. By resolution 46/185 C, part XVI, of 20 December 1991, the General Assembly decided that the Executive Director of UNDCP shall maintain the accounts of the Fund and be responsible for submitting the accounts and related financial statements. In order to fully and properly discharge this responsibility, there is a need, as recommended by the Board, to redefine the current cumbersome accounting arrangements involving the Accounts Division at United Nations Headquarters, the United Nations Office at Vienna, the United Nations Industrial Development Organization and UNDCP. In fact, this was also noted in the Secretary-General's report on the restructuring of the United Nations Secretariat (A/49/336, para. 182).

82. In response to the audit observation, discussions were initiated with the Accounts Division at United Nations Headquarters. During a meeting held on 19 July 1994 with responsible officials of the Accounts Division, a number of options were considered to implement the audit observation. General agreement was reached that the current system is too complex. A consolidation of all accounting functions in Vienna was considered necessary, not only to meet financial reporting requirements but also to provide UNDCP's management with timely, relevant and adequate financial information. As a follow-up, proposals will be elaborated at Vienna for approval by the Accounts Division in New York, and are expected to result in a decentralization of the accounting function for the fund of UNDCP from New York to Vienna. Finally, the lack of adequately trained staff in UNDCP's accounting function was identified in the audit report. This problem has been solved by the recent recruitment of a finance officer at the P-4 level, as was already approved for 1993 in the context of the revised 1992-1993 budget.

Treasury operations and investment policies

83. The Board recommends that UNDCP should consult the United Nations Treasury on a regular basis to ensure that the investment policies meet the specific needs and requirements of UNDCP. This recommendation has been followed up through substantial dialogue and detailed correspondence between UNDCP and the United Nations Treasury. Options for improving the return on investment for UNDCP are being evaluated, essentially involving a fine-tuning of cash management and the introduction of new investment tools, within the investment policy guidelines set by United Nations Headquarters. The current banking arrangements will be rationalized: the closing of bank accounts for non-convertible currencies has been agreed by UNDCP. The United Nations Treasury has indicated that a dedicated United States dollar account will be opened for UNDCP. As a result of this new dialogue, an amount of US\$ 10 million was recently placed, at an increased rate of return, to specifically fund the provision in UNDCP's accounts of an operating reserve.

84. Effective treasury operations and sound investment, however, depend upon the accurate tracking and timely projection of cash flows. At present, with the

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existing cumbersome and separated accounting arrangements, the timely availability of such important information is being hampered. The need to decentralize all accounting functions to Vienna can only therefore be reiterated.

Notes

1/ Official Records of the General Assembly, Forty-ninth Session, Supplement No. 5A (A/49/5/Add.1), sect. II.

2/ Ibid., Supplement No. 5B (A/49/5/Add.2), sect. II.

3/ Ibid., Supplement No. 5C (A/49/5/Add.3), sect. II.

4/ Ibid., Supplement No. 5E (A/49/5/Add.5), sect. II.

5/ Ibid., Supplement No. 5F (A/49/5/Add.6), sect. II.

6/ Ibid., Supplement No. 5G (A/49/5/Add.7), sect. II.

7/ Ibid., Supplement No. 5H (A/49/5/Add.8), sect. II.

8/ Ibid., Supplement No. 5 (A/49/5), vol. IV, sect. II.

9/ Ibid., Supplement No. 5I (A/49/5/Add.9), sect. II.
