



FIFTH COMMITTEE
3rd meeting
held on
Monday, 28 September 1981
at 10.30 a.m.
New York

SUMMARY RECORD OF THE 3rd MEETING

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Chairman: Mr. BRODODININGRAT (Indonesia)

OCT 16 1981

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

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CONTENTS

ELECTION OF A VICE-CHAIRMAN

AGENDA ITEM 98: FINANCIAL REPORTS AND ACCOUNTS, AND REPORTS OF THE BOARD OF AUDITORS

- (a) UNITED NATIONS DEVELOPMENT PROGRAMME
- (b) UNITED NATIONS CHILDREN'S FUND
- (c) UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST
- (d) UNITED NATIONS INSTITUTE FOR TRAINING AND RESEARCH
- (e) VOLUNTARY FUNDS ADMINISTERED BY THE UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES
- (f) UNITED NATIONS FUND FOR POPULATION ACTIVITIES
- (g) ORGANIZATION AND PROFESSIONAL PRACTICES OF THE BOARD OF AUDITORS

Report of the Advisory Committee on Administrative and Budgetary Questions
(A/36/480)

ORGANIZATION OF WORK

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The meeting was called to order at 10.35 a.m.

ELECTION OF A VICE-CHAIRMAN

1. Mr. EGOROV (Ukrainian Soviet Socialist Republic) nominated Mr. Godfrey (New Zealand).
2. Mr. Godfrey (New Zealand) was elected Vice-Chairman by acclamation.
3. Ms. LOPEZ ORTEGA (Mexico), speaking on behalf of the members of the Committee, congratulated the Chairman and other officers on their election and said she was sure that they would discharge their duties in an entirely satisfactory manner.

AGENDA ITEM 98: Financial reports and accounts, and reports of the Board of Auditors

- (a) UNITED NATIONS DEVELOPMENT PROGRAMME (A/36/5/Add.1)
- (b) UNITED NATIONS CHILDREN'S FUND (A/36/5/Add.2)
- (c) UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST (A/36/5/Add.3)
- (d) UNITED NATIONS INSTITUTE FOR TRAINING AND RESEARCH (A/36/5/Add.4)
- (e) VOLUNTARY FUNDS ADMINISTERED BY THE UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES (A/36/5/Add.5)
- (f) UNITED NATIONS FUND FOR POPULATION ACTIVITIES (A/36/5/Add.7)
- (g) ORGANIZATION AND PROFESSIONAL PRACTICES OF THE BOARD OF AUDITORS

Report of the Advisory Committee on Administrative and Budgetary Questions (A/36/480)

4. The CHAIRMAN said that the report of the Advisory Committee concerning the last subitem (Organization and professional practices of the Board of Auditors) had not yet been issued. He therefore suggested that interventions should be limited at the present stage to the financial reports, until such time as that report of the Advisory Committee had been issued.
5. The Chairman of the Advisory Committee had informed him that he did not consider it necessary to present his Committee's report orally, although he would of course participate in the debate and answer any questions that might be posed.
6. He declared open the list of speakers on item 98 and urged delegations wishing to intervene on that item to inform the Secretariat as soon as possible, since that would facilitate the scheduling of meetings on the item. The list of speakers on item 98 would be closed on 30 September, at 6 p.m.

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7. Mr. VREBOS (Chairman of the Board of Auditors) said that the Board of Auditors had prepared reports on the 1980 accounts of the United Nations Development Programme (A/36/5/Add.1), the United Nations Children's Fund (A/36/5/Add.2), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (A/36/5/Add.3), the United Nations Institute for Training and Research (A/36/5/Add.4), the United Nations High Commissioner for Refugees (A/36/5/Add.5) and the United Nations Fund for Population Activities (A/36/5/Add.7). The auditing had been done by officials of the three countries that were members of the Board of Auditors (Bangladesh, Belgium and Ghana), with continuous guidance from the Audit Operations Committee. Wherever possible, the audits had been carried out jointly by members of more than one team.

8. In accordance with established practice, the observations of the Board of Auditors had been communicated to the appropriate officials of the various organizations in more than 40 management letters, indicating the results of the audits and recommendations. The most important points were included in the report on each organization.

9. As usual, the Chairman of the Audit Operations Committee would be at the Fifth Committee's disposal to answer any questions that might be put to him. The Chairman and members of the Audit Operations Committee had maintained a continuous dialogue with the various administrations on all problems relating to the 1980 audit, and for the past few days they had been meeting with representatives of the organizations in order to learn what action had been taken on the questions raised in the reports of the Board of Auditors.

10. Since the documentation concerning the organization and professional practices of the Board of Auditors had not yet been circulated, he would limit himself at the current meeting to a few general comments on the Board's reports.

11. Some of the Board's reports included comments on financial management. In particular, the Board had again expressed concern about the increase in the level of accumulated non-convertible currencies, and about the difficulties in collecting contributions pledged by Governments. Those questions were discussed in the report on the United Nations Development Programme (A/36/5/Add.1, sect. II, paras. 7-12). The Board had also sought explanations concerning the custodianship and investment of UNDP funds (paras. 5 and 6). The UNDP Administration had assured the Board that it would intensify its efforts to make use of non-convertible currencies and to collect outstanding government contributions. The UNDP Administration also intended to review the existing arrangements for the custodianship and investment of its funds.

12. The Board of Auditors had found some weaknesses in the control on the administrative expenditure of UNHCR field offices exercised by the United Nations financial services. The Administration had given assurances that it would take the necessary action.

13. The Board had reviewed the procurement systems of a number of organizations and had determined that, on the whole, those systems were operating satisfactorily.

(Mr. Vrebos)

14. The Board had noted, however, that the Administration of the Greeting Card Operation (GCO) had approved a prepayment of \$113,000 requested by a certain bidder to permit the purchase of raw materials, even though payment of advance was not provided in the invitation to bid. In the interests of impartiality, the Board had recommended that whenever that facility was considered necessary it should be made known to all potential bidders (A/36/5/Add.2, part one, sect. II, paras. 12-14).

15. The review of the procurement system had also disclosed that, contrary to established practice, post facto approval by the UNDP Committee on Contracts had been obtained for a number of large contracts. The Board of Auditors had recommended that that practice should be discouraged, and the UNDP Administration had given assurances that it would take note of the recommendation (A/36/5/Add.1, sect. II, paras. 14 and 15).

16. The Board of Auditors had made a further review of the budgetary control systems of the organizations and had found that, in some cases, the United Nations Institute for Training and Research had incurred obligations although no allotment had been issued for them (A/36/5/Add.4, sect. II, paras. 4 and 5).

17. As in the previous year, the Board had found that, in the three main programmes of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (Education Services, Health Services and Relief Services), expenditure had been below the planned levels (A/36/5/Add.3, para. 4). The Agency had explained that those levels had represented estimates of the expenditure required to maintain services at existing levels and the fact that those levels had not been reached had been entirely due to an insufficiency of income from voluntary contributions (para. 5). In that connexion, the Board had noted that, contrary to the Agency's financial regulation 9.1, the original budget estimates had again been subsequently amended without prior consultation with the Agency's Advisory Commission (para. 6). The Board had therefore reiterated its recommendation that appropriate steps should be taken in that connexion (para. 7).

18. The Board had noted that some of the obligations incurred by the Greeting Card Operation had not been recorded in the principal accounts (A/36/5/Add.2, part one, sect. II, para. 7). The UNICEF Administration had promised that in future all obligations would be recorded in the financial statements.

19. The Board of Auditors had also expressed concern at the ever-increasing share borne by voluntary contributions in the administrative expenses of the Office of the United Nations High Commissioner for Refugees. The UNHCR Administration had reported that it was holding talks on the subject with United Nations Headquarters.

20. The over-production of UNICEF cards posed serious problems for the Greeting Card Operation. The Board had expressed surprise at the fact that seven salary increases had been authorized on the net salaries of national officials of UNIPAC; as a result of that action, net salaries were higher than gross salaries.

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(Mr. Vrebos)

21. It had also been noted that certain advances for travel expenses, for which detailed accounts had to be presented within two weeks, had been left in abeyance for more than three years.

22. Study of the UNICEF accounting system had revealed a need to review and restructure the "accounts plan" (A/36/5/Add.2, part one, sect. II, para. 5) in order to ensure that the financial statements and the corresponding data derived directly from the ledger and its annexes, thus precluding the need to resort to analyses or regroupings, as was currently the case, and the need to consult the many supporting documents. The Board of Auditors had recommended that the "accounts plan" should be reviewed and that some of the accounts should be regrouped, first with respect to their character and then according to a classification based on their group or category. It had also recommended that the existing coding systems should be centrally unified.

23. The Board of Auditors had carefully examined the measures adopted by the organizations in response to the recommendations made in its reports for 1979. In the majority of cases those recommendations had been duly taken into account. However, UNICEF should expedite the review of the procedures for hiring consultants and experts. That problem had been dealt with in the relevant report of the Board for 1979. In addition, decisions should be taken regarding the strengthening of the internal audit coverage of the Office of the United Nations High Commissioner for Refugees.

24. In conclusion, he expressed the Board's gratitude for the interest which the Secretary-General and other senior officials of the United Nations had shown in the Board's work. He paid tribute to the organizations for the co-operation they had extended to the auditors engaged in examining the financial transactions and the control systems. He also thanked the Fifth Committee for the deep interest which it had shown in the reports of the Board of Auditors.

25. Mr. MAJOLI (Italy), referring to the financial report on UNDP, expressed his delegation's concern at the increase in the level of accumulated non-convertible currencies, which was mentioned in the ACABQ report (A/36/480) and in the report of the Board of Auditors (A/36/5/Add.1, sect. II, para. 8), and stated that the Administration should endeavour to make appropriate use of those currencies.

26. In schedule 17, concerning the status of contributions pledged to the trust funds administered by UNDP, the column of the balance due at 31 December 1980 contained not only the balance for 1980 and previous years but also the balance for 1981. He asked by what date pledges for a given year were expected to be paid and expressed doubts as to the desirability of including pledges for 1981 in the balance due at the end of 1980.

27. Regarding the report of the Board of Auditors on voluntary funds administered by the United Nations High Commissioner for Refugees (A/36/5/Add.5), he expressed his delegation's concern at the fact that in 1980 there were unliquidated obligations for 35 projects established between 1972 and 1978 and that by the end of 1980 the operations of some projects approved in 1979 had not even begun.

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28. Mr. VREBOS (Chairman of the Board of Auditors), on the suggestion of the Chairman of the Fifth Committee, said that due account was being taken of the comments and questions of delegations and a full reply would be given at the Committee's next meeting.

29. The CHAIRMAN, replying to a question by the representative of the United States of America, said it was expected that the representatives of the organizations referred to in the financial reports and the reports of the Board of Auditors would be present at the Committee's meetings in order to make statements or reply to delegations' questions.

ORGANIZATION OF WORK (A/C.5/36/L.1)

30. The CHAIRMAN drew attention to document A/C.5/36/L.1, prepared by the Secretariat, which listed all the documentation expected to be submitted to the Fifth Committee at the current session. Since no delegation had any comments to make, he suggested that the Committee should take note of document A/C.5/36/L.1 and appeal to the Secretariat to exert every effort to ensure that documentation was presented in a timely manner.

31. He also urged delegations to inscribe themselves as soon as possible on the list of speakers on agenda item 98 in order to ensure a sufficient number of speakers at each of the meetings scheduled for consideration of the item. Since no speakers were inscribed for the meeting of Tuesday, 29 September, he suggested that that meeting should be cancelled and that consideration of the item should be resumed on Wednesday, 30 September, in the morning.

32. It was so decided.

33. The CHAIRMAN, referring to agenda item 18 (Appointments to fill vacancies in subsidiary organs and other appointments), said that the Secretary-General had not yet received all the necessary nominations. He accordingly requested interested delegations to undertake consultations and to ensure that candidatures were presented to the Secretary-General as soon as possible, so that the Committee might deal with that agenda item in due course.

The meeting rose at 11.25 a.m.