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FIFTH COMMITTEE
4th meeting
held on
Thursday, 1 October 1981
at 3 p.m.
New York

SUMMARY RECORD OF THE 4th MEETING

Chairman: Mr. BRODININGRAT (Indonesia)

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

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Report of the Advisory Committee on Administrative and Budgetary Questions

ORGANIZATION OF WORK

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The meeting was called to order at 3.05 p.m.

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);

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

1. Mr. KUYAMA (Japan), referring to the report of the Board of Auditors on UNDP (A/36/5/Add.1), said that prudent control and management of financial resources were particularly important for UNDP, with its highly complex, diversified and decentralized operations. Although improvements had been made in a number of areas, there was still room for further improvements in the quality of financial management.

2. With regard to the custodianship of UNDP funds, the report of the Board of Auditors stated that UNDP determined the instruments in which funds were to be invested. His delegation had, however, understood that such decisions were taken by the United Nations. Clarification of that point would be welcome. With regard to possible proposals to change the current arrangement, his delegation supported the view of the Advisory Committee on Administrative and Budgetary Questions that any such proposals should first be submitted to ACABQ for review.

3. It was regrettable that no significant progress had yet been made in reducing the accumulation of non-convertible currencies, despite the efforts of the Administration of UNDP. Delegations could perhaps comment on the Board's recommendation that the Administration should intensify its efforts to resolve the situation.

4. In view of the magnitude of outstanding contributions, the Administration should certainly make further efforts to collect them. All Governments should either pay such amounts, or indicate that the amounts concerned were uncollectable so that they could be removed from UNDP accounts receivable. There was also a need for UNDP to tighten its procurement procedures, to ensure effective control by the Committee on Contracts over the approval of contracts.

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(Mr. Kuyama, Japan)

5. The report of the Board of Auditors on UNICEF (A/36/5/Add.2) indicated that the Fund had taken appropriate action on the matters raised in the previous report, with the exception of arrangements for maintaining sales offices in the field and the utilization of experts and consultants. His delegation would welcome further information on those outstanding issues. His delegation was extremely interested in the question of a single, consolidated biennial budget for programme support and administrative services, the Greeting Card Operation and the UNICEF Packing and Assembly Centre. The Administration of UNICEF had undertaken to study the matter, and his delegation looked forward to hearing the outcome of that study. With regard to the other points raised by the Board, he supported the observations made in the relevant ACABQ report. UNICEF's role was destined to grow as the world community recognized the importance of social and human factors in development. However, UNICEF had to find the most effective ways of using its financial resources, given their limited nature.

6. Japan attached great importance to the humanitarian endeavours of UNHCR, which it had supported with generous contributions. The most significant matter raised by the Board of Auditors in its report on UNHCR (A/36/5/Add.5) was the allocation of financial responsibility for UNHCR administrative costs between the United Nations regular budget and UNHCR voluntary funds. His delegation would welcome information on the current status of the survey on that matter conducted jointly by the Secretary-General and the High Commissioner. With reference to the unsatisfactory control of administrative expenditure revealed in the review of UNHCR field office accounts, his delegation took note of the observations contained in the report of ACABQ. It was to be hoped that proper financial control could be ensured.

7. Japan also attached great importance to UNFPA, and welcomed the thorough audit conducted by the Board (A/36/5/Add.7). He trusted that the Administration of UNFPA would take appropriate measures on all the points raised in the Board's report.

8. Mr. ZINIEL (Ghana) said that the Board's practice of reporting the results of specific audits and of issuing clear and detailed management letters, and its continued emphasis on systems-based auditing had created the necessary psychological impact in the United Nations system, and had contributed to a marked improvement in the administration and control of resources. Nevertheless, there was room for further improvement in areas such as cash management, procurement systems and budgetary control.

9. The Board had raised the questions of accumulated non-convertible currencies and the difficulties experienced by UNDP and UNRWA in collecting pledged contributions. United Nations organizations required predictable funding in order to ensure speedy implementation of their programmes. Nevertheless, the perennial and disturbing problems of non-convertible currencies and non-payment of pledged contributions could be solved only through co-operation between organizations and Governments. Progress made in those areas was encouraging, but it should be recognized that a political solution was necessary, which could not be provided

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(Mr. Ziniel, Ghana)

exclusively by the organizations concerned. The full co-operation of Member States was essential.

10. With regard to the custodianship of UNDP funds, any change in existing arrangements should be left to the Governing Council, although new proposals should first be submitted to ACABQ. Pending any decision by the Governing Council, it would be useful to know whether the existing arrangements impeded UNDP operations.

11. Administrative procedures in some organizations were deficient in certain areas. UNDP had, for example, been lax in controlling the awarding of contracts. Nor had it respected the Staff Rules of the United Nations and its own administrative directives relating to the renewal of staff members' contracts. The explanations proffered were curious and disturbing. A number of organizations, including UNRWA, UNDP and UNFPA, had failed to rectify perennial weaknesses in inventory control. UNRWA, in particular, had allowed certain commodities to become unfit for human consumption through poor storage. It was to be hoped that such wastage of scarce resources by that agency, which was undergoing a financial crisis, would be ended.

12. It was disappointing to note that UNITAR had incurred certain obligations although no allotments had been issued for them. His delegation agreed with the Board's recommendation that no expenditure should be incurred prior to the issuance of allotments. Organizations should adhere to established procedures, and should aim at attaining approved objectives within approved appropriations.

13. Mr. PAL (India) said that his delegation shared the concern of the Board of Auditors about the accumulation of non-convertible currencies that UNDP could not use. Unfortunately, the Administrator's proposal to use those currencies to buy ships in the socialist countries to replace the obsolete fleet of the UNDP fisheries vessel pool, for the immediate benefit of developing countries, had been rejected by the Governing Council for political reasons.

14. His delegation would have liked the Board of Auditors to follow up on its comments of the previous year on the UNDP Integrated Systems Improvement Project, especially in view of the lively debate that had taken place on the subject in the Governing Council. The Administrator's assurance that the Project would improve the handling of agency disbursements and the difficulties he had identified with respect to the adaptation of software packages and integration of the income and cash management system with the general ledger and financial reporting system were matters which the Board of Auditors should consider in its report to the thirteenth session.

15. With respect to the procurement system, on which the Board had commented in paragraph 12 of its report (A/36/5/Add.1), his delegation believed it imperative for UNDP to expand its coverage of potential suppliers, particularly in the developing countries, so that the system of competitive international bidding would live up to its name and become efficient. The work started by the Inter-agency Procurement Services Unit was encouraging, but he hoped that much more rapid

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(Mr. Pal, India)

progress would be made in future. In view of the steps that the Administrator had taken to strengthen the internal audit function of UNDP in implementation of recommendations made by the Board of Auditors in 1979, it would be interesting to know whether the Board now considered the internal audit to be adequate and efficient.

16. With respect to the weaknesses that had been identified in the project management of UNFPA (A/36/5/Add.7), he noted that the Executive Director had merely repeated his assurances of the previous year. He wondered whether the Board of Auditors was satisfied with those assurances and whether there had been any improvement over the past year. It was heartening to note from statement III in document A/36/5/Add.7 that the unspent balances had dropped from \$25 million in 1979 to just under \$14 million in 1980. He hoped that the Executive Director of UNFPA would take every possible step to reduce the figure even further and that the Board of Auditors would keep the matter under review. The Executive Director had been urged to set up a management information system to enable accurate forecasts of financial and cash flows; it would be interesting to hear the Board's comments on that proposal.

17. With respect to the financial reports and accounts of UNICEF (A/36/5/Add.2), his delegation agreed with the Advisory Committee's comment on the need to review the existing accounts it hoped that the review would be carried out expeditiously and that the results would be communicated to the Board in time for its next audit. That should be possible if the Executive Board of UNICEF approved the additional posts being requested by the Executive Director for the accounts and electronic data-processing sections. It was noted that his budget proposals for 1982-1983 also contained a request for additional staff to undertake the internal audit. He wondered whether the Board of Auditors was satisfied with the level and quality of work undertaken.

18. Finally, he noted that the bulk of UNDP, UNICEF and UNFPA funds continued to be held in banks in the developed countries. Over the years, the invariable response had been that those banks offered stability and the best commercial rates. However, his delegation's scepticism in that respect had increased, particularly in view of the World Bank's latest report on the significant role being played in world banking by Far Eastern, Latin American and Arab banks. United Nations agencies should be the first to follow any encouraging trends towards equity in the world economy and he hoped therefore that they would diversify their investments as soon as possible.

19. Mr. ENODIEN (Nigeria) said that the Board of Auditors had contributed towards the efficient and effective administration of United Nations programmes, while management in the various organizations had coped effectively with the problems associated with multinational organizations, and had striven to ensure that remedial action was taken to eliminate short-comings indicated by the Board. Nevertheless, there were areas in which further improvements were necessary.

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(Mr. Enodien, Nigeria)

20. The level of fund allocation and disbursement, and consequently the magnitude of physical achievement by certain programmes, scarcely reflected the importance attached to them by the General Assembly and the recipient communities. For example, the resources channelled to UNDP were extremely meagre. Management should undertake a realistic evaluation of important programmes to make it clear that such services deserved greater support and that their recipients would benefit tremendously if adequate funds were provided.

21. With reference to the Board's recommendations that UNDP should intensify its efforts to reduce the accumulation of non-convertible currencies, the Administration of UNDP had already admitted that the task was beyond its capabilities. The problem called for action either by the Fifth Committee or by the General Assembly with the co-operation of the countries concerned.

22. With regard to the widespread practice of making advance payments to contractors, his delegation fully agreed with the Board that all aspiring contractors should be made aware of that practice before tendering bids. It was clearly unfair if some contractors were informed of the practice while others were not.

23. His delegation fully agreed with the Board that there was no justification for the over-production of UNICEF greeting cards. Given adequate storage facilities, cards produced in one year could be sold in later years; under no circumstances should they be destroyed. Cards should be produced for the holidays of all religions.

24. The schedules of contributions received and outstanding arrears submitted by some organizations were not very helpful because they included both 1980 and 1981 contributions, as well as normal contributions and pledges for specific programmes, even though the necessary distinctions were made in the text. His delegation therefore supported the Board's recommendation that separate schedules should be prepared to show the amounts receivable in each year, outstanding arrears and pledges made and receivable for specific programmes. It also agreed that efforts should be intensified to collect outstanding contributions and pledges. He endorsed the Board's recommendations concerning the delegation of investment functions, renewal of contracts, salary advances, the need for a review of the accounts plan of some of the organizations, in particular UNICEF, budgetary and inventory control, and project management. It was gratifying that steps were already being taken to implement the recommended remedial measures, although progress varied from organization to organization. For example, the UNDP procurement system was fairly developed, whereas it was only in the process of establishment in the Office of the High Commissioner for Refugees. It was to be hoped that the managements of the six organizations on which reports had been submitted would continue to be guided by the comments and suggestions of the Board of Auditors and the observations of members of the Committee.

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25. Mr. PALAMARCHUK (Union of Soviet Socialist Republics) said that his delegation supported efforts to enhance the role of the Board of Auditors in promoting financial discipline and the sound management of United Nations resources. On the whole, his delegation was prepared to approve the Board's conclusions and recommendations.

26. Referring to the practice of UNDP of reimbursing the overheads of executing agencies up to only 13 per cent of programme costs, he noted that the actual overheads of the agencies often far exceeded that limit. Thus, the regular budgets of the United Nations and its specialized agencies were being used as a source of financing for technical assistance. That situation was at variance with the Charter and his delegation maintained that UNDP must reimburse agency overheads in full.

27. The Board had recommended that efforts be intensified to exchange non-convertible currencies for readily usable currencies. Leaving aside the question of how far the Board was competent to make such recommendations, his delegation considered that the issue of contributions in national currencies had been trumped up by certain circles with the aim of discriminating against the national currencies of some countries, undermining the international character of UNDP activities and helping transnational corporations to perpetuate their preferential position with regard to the award of UNDP contracts.

28. Turning to the accounts of UNITAR, he noted that the Advisory Committee had consistently maintained that the principle of rational administration required that programmes should be planned in the light of expected income. From the financial accounts of UNITAR, it was clear that that principle had been forgotten, and that was at the root of the Institute's financial crisis. Moreover, instead of adjusting its programme of work to available resources, UNITAR had at the preceding session of the General Assembly sought a subsidy under the regular budget of the United Nations. It was surprising that that practice had not been scrutinized by the Board. Accordingly, the Soviet Union had taken a decision to withhold from its budget contribution for 1981 the amount that would have been its share of the subsidy to UNITAR. His delegation considered that subsidy to be illegal and at variance with the General Assembly resolution providing that UNITAR activities should be financed solely from voluntary contributions. It was to be hoped that the Secretary-General would not raise the matter again in future.

29. The lack of uniformity in the presentation of accounts for the various organizations audited made it virtually impossible for delegations accurately to assess the financial situation and activities of those organizations.

30. Mr. SAKKIJHA (Jordan) expressed his delegation's full support for all the recommendations of the Board of Auditors and of the Advisory Committee and the hope that appropriate steps would be taken to implement them.

31. Referring to the financial report of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) (A/36/5/Add.3), he said that he was saddened to read that because of an insufficiency of income from voluntary contributions and the fact that a number of Governments had not made good on

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(Mr. Sakkiha, Jordan)

pledges in the amount of \$US 26 million, planned levels of expenditure for the three main programmes had not been reached. The financial difficulties of the agency were of great concern to his Government in so far as they hindered the provision of basic humanitarian needs for the Palestinian refugees. That critical situation had been aggravated during the current year by provisional plans to lay off some 15,000 teachers and thereby endanger the entire basic education programme of more than 240,000 students unless additional funds were forthcoming. Any discontinuance of the programme would also have serious consequences for the host Governments which were already providing very substantial allocations from their limited resources to sustain the Palestinian refugees.

32. Unless very forceful and concrete action was taken to remedy the situation, the entire agency would face total bankruptcy and the United Nations would have failed in its solemn obligations towards the Palestinian refugees pending the restoration of their inalienable right to return to their homeland. Though one of the least able to carry any additional burden, his country was spending over \$30 million annually in direct and indirect aid to the Palestinians. It was high time for States Members of the United Nations to match their decision to renew the mandate of the agency until 1983 by concrete actions, and to explore means other than voluntary contributions to ensure that Palestinian refugees would not lose their educational facilities and the agency would not be wrecked. Finally, he expressed support for the recommendation of the Board of Auditors that UNRWA should intensify its efforts to collect outstanding pledges.

33. Mr. BUNC (Yugoslavia) said that his delegation welcomed the recommendations of the Board of Auditors on the United Nations Development Programme (UNDP) (A/36/5/Add.1) with respect to the custodianship and investment of funds, the procedure for submission of recommendations to the Governing Council, the exchange of accumulated non-convertible currencies, the collection of unpaid contributions, and contracts. It likewise agreed with the observations of the Board on the financial report of UNICEF (A/36/5/Add.2). The recommendation for the review of the accounts plan and the unification of the existing coding system might also be applied to other funds. While his delegation realized that some over-production of greeting cards was unavoidable if late orders were to be filled, he believed that every effort should be made to keep it to a minimum and to ensure the greatest possible use of existing stocks. Another improvement would be for UNIPAC to explore the possibility of hiring manual labour itself, instead of using the services of a local firm.

34. With respect to the statement of the Board of Auditors on the monthly accounts of field officers of the United Nations High Commissioner for Refugees (A/36/5/Add.5), his delegation agreed that it was important to maintain a distinction between certifying and approving functions.

35. It further supported the Board's recommendation in relation to the United Nations Fund for Population Activities (UNFPA) (A/36/5/Add.7) that support costs should be charged to projects at a uniform rate in accordance with decision 80/44 of the UNDP Governing Council.

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36. Mr. LAHLOU (Morocco) said that, in perusing the accounts and financial reports before the Committee, he had been struck by the magnitude of the financial resources available to the various organizations. They spent astronomical sums and yet did not deliver satisfactory service to the international community, primarily because their staffs were inflated and had acquired a bourgeois mentality. The resources of the organizations were squandered on the publication of glossy brochures and on administrative expenses. There was a need for greater realism on the part of the management of the organizations and a greater share of their resources should be allocated for operational activities in the field. His delegation endorsed the comments and recommendations of the Board of Auditors, with the exception of those relating to staffing increases. The problems for which additional staff had been requested as a solution could be eliminated through the redeployment of existing staff.

37. His delegation was concerned at the problem of contributions to UNDP in non-convertible currencies. It was incumbent on countries which made contributions in non-convertible currencies to find a solution to the problem.

38. The practice of giving salary advances to staff members was unwise and contrary to the Financial Regulations and Rules. It should therefore be avoided.

39. He endorsed the comments made by the representative of Jordan concerning the financial situation of UNRWA. The Palestinian nation had been dispersed as a result of a United Nations decision, and the United Nations must therefore assume its special responsibility in that regard. It was unthinkable that children might be turned out of their classrooms as a result of the agency's financial difficulties. Efforts to find a solution must be redoubled.

40. His Government attached special importance to UNICEF but was disappointed with the Fund's performance in delivering assistance to the world's children. Efforts were needed to improve the management of the Fund and reduce its administrative costs. His delegation was opposed to any increase in the staff and believed that the Fund's resources could be put to better use. He would welcome the production of greeting cards for Islamic holidays, which would doubtless find a ready market. With regards to the over-production of greeting cards, he expressed the hope that a solution to the problem would be found quickly.

41. He shared the view of the Board of Auditors that UNITAR had taken steps to comply with the recommendations made by the Board in its 1979 report. Nevertheless, he noted that the commitment of funds before the approval of the necessary appropriation was contrary to the Financial Regulations and Rules.

42. Lastly, he endorsed the Advisory Committee's observations regarding the Office of the High Commissioner of Refugees.

ORGANIZATION OF WORK

43. Mr. KUDRYAVTSEV (Union of Soviet Socialist Republics) noted that the Secretary-General intended to submit to the Fifth Committee, under agenda item 107 (Personnel questions), a report on respect of the privileges and immunities of

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(Mr. Kudryavtsev, USSR)

officials of the United Nations and specialized agencies. He recalled that the Committee had taken a decision on that matter at the preceding session, when a number of delegations had submitted a draft resolution on that subject. In the discussion of the draft resolution, the Soviet delegation had stated its position that the question of the privileges and immunities of international civil servants was a legal matter within the purview of the Sixth, and not the Fifth, Committee. In a spirit of compromise, his delegation had not pressed for the immediate transfer of the matter to the Sixth Committee but had agreed to consider the draft resolution in the Fifth Committee on the understanding that all further consideration of the matter would take place in the former Committee. The sponsors of the draft resolution and other members of the Committee had not objected to that approach. Accordingly, he asked the Chairman to consult the Chairman of the Sixth Committee on the possibility of transferring the report in question to that Committee.

44. The CHAIRMAN assured the representative of the Soviet Union that the officers of the Committee would consider the matter and report back to the Committee at a later stage. As the Secretary-General's report was not expected to be submitted before late October, there was ample time to determine the procedure to be followed in considering it.

The meeting rose at 5 p.m.