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Chairman: Mr. Chowdhury (Bangladesh)
*Chairman of the Advisory Committee on Administrative
and Budgetary Questions:* Mr. Mselle

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The meeting was called to order at 10.15 a.m.

Agenda item 113: Financial reports and audited financial statements, and reports of the Board of Auditors (*continued*) (A/52/261, A/52/381 and A/52/518)

(b) United Nations Institute for Training and Research (*continued*) (A/52/5/Add.4)

(c) Voluntary funds administered by the United Nations High Commissioner for Refugees (*continued*) (A/52/5/Add.5)

1. **Mr. Gjesdal** said that his delegation fully supported the recommendations of the Board of Auditors, whose mandate had become ever more important in the context of the economy measures necessitated by the gravity of the Organization's financial situation. In that context, the Board should not hesitate to describe examples of good management, which would promote its ultimate aim of improving programme delivery.

2. The overall structure of audit, oversight and inspection bodies at the United Nations was satisfactory and was now operating in a fairly well-coordinated manner. His delegation had been pleased to learn that the Board of Auditors, the Joint Inspection Unit and the Office of Internal Oversight Services were going to hold a first tripartite meeting to strengthen coordination and synergy between them. On the other hand, follow-up to previous audit recommendations remained uneven, as demonstrated by the Secretary-General's report (A/52/381). In a certain sense, any audit activity was only as useful as the follow-up to it. He therefore noted with appreciation that the Board had followed the Advisory Committee's recommendation that it should make recommendations more precise and more focused, and that it should draw attention to its previous recommendations which had not been fully implemented.

3. Strengthening management in the field, particularly with regard to the audit function, asset management and the liquidation of completed operations, continued to be important. There was a need for the United Nations system as a whole to cooperate at the country level to enhance the capacity of implementing and executing agencies through, for example, coordinated audit follow-up. As the Advisory Committee had suggested, the findings of the Board of Auditors should be considered collectively at the end of the biennium, preferably by the Administrative Committee on Coordination.

4. Most of the findings and recommendations of the Board of Auditors on the voluntary funds administered by the Office of the United Nations High Commissioner for Refugees (UNHCR) continued to relate to its implementing partners, among which the auditors had found several major categories of persistent irregularities. UNHCR was a very field-oriented agency, and its unavoidable increasing dependence on non-governmental organizations posed a particular challenge for oversight functions. He welcomed the efforts to rectify those problems, and, without denying the importance of extensive audit, believed that UNHCR was generally well managed and well led.

5. He supported the recommendations on the need to review programme delivery and administrative costs, as well as those relating to project planning and the definition of objectives. He had noted the comments on quick impact projects: the concept seemed very useful, but there was, perhaps, a need to develop other approaches in dealing with challenges in that area. Lastly, he found the observations of the Board on procurement and human resources very relevant, not least in view of the increased decentralization of UNHCR activities.

6. **Mr. Mwakawago** (United Republic of Tanzania), speaking on behalf of the Group of 77 and China, welcomed the clarity and reader-friendliness of the reports of the Board of Auditors. He noted that the Advisory Committee had proposed that the two reports under consideration should be submitted biennially so as to coincide with those relating to other funds and programmes, and he looked forward to the comments of the two administrations concerned at the fifty-third session of the General Assembly.

7. In general, the Group of 77 and China supported the recommendations and findings of the Board, as well as the recommendations of the Advisory Committee. The Group of 77 and China attached great importance to the work of the United Nations Institute for Training and Research (UNITAR) and of UNHCR, and thus believed that the recommendations should be acted on as quickly as possible and avoid the fate of several earlier recommendations, some going back to 1993, which had not been implemented. The two administrations must take immediate steps to implement all the recommendations of the Board.

8. He noted with satisfaction that the Board had issued an unqualified opinion on UNITAR's financial statements. UNITAR, as it had been advised, had taken steps to improve accounting for non-expendable property and the processing of inter-office vouchers with UNDP, and had generally complied with United Nations accounting standards. He endorsed the Board's view that long-standing deficits under

the Special Purpose Grants Fund should be resolved promptly, and that UNITAR should write off uncollectable amounts. The Group of 77 and China were also concerned over the substantial shortfall in income over expenditure in the General Fund for 1996 and the need for sufficient income to secure the long-term future of the Fund. He supported the Advisory Committee's suggestion that UNITAR and the United Nations should seek the advice of the Office of Legal Affairs in order to settle the matter of charges between UNITAR and United Nations Headquarters.

9. The Group of 77 and China noted that UNITAR had taken steps to improve programme planning, monitoring and evaluation; however, there was room for further efforts in those areas. The five programmes examined by the Board of Auditors had been implemented within their respective budgets, and the manner in which UNITAR evaluated the quality and impact of its training materials was satisfactory. Four of those five programmes had clearly defined programmes of assistance; in the case of the fifth programme, clearer targets should have been developed and more attention should have been paid to selecting partner institutions, monitoring programme delivery and assessing the added value of pilot projects.

10. The more extensive problems which the Board of Auditors had found in UNHCR were a matter of grave concern. The Board had noted some cases of non-compliance with the United Nations System Accounting Standards; corrective measures must be taken in that regard. The Group of 77 and China supported a number of the Board's recommendations on financial management issues. With respect to programme management, they were concerned about the lack of established norms for programme delivery and administrative support costs. Projects should have clearly defined objectives and should be monitored and evaluated more carefully. Subproject descriptions should be improved, and the capabilities of implementing partners should be assessed.

11. Deficiencies in the engagement of consultants and experts were also a matter of concern, which the Board of Auditors had described extensively in its report. The Group of 77 and China fully supported the recommendations made in that regard. Once it had been determined that outside expertise was necessary, the terms of reference of consultants should be clearly spelled out. Greater use should be made of the roster of consultants, which should be updated regularly and should reflect the widest possible geographical distribution of the persons selected. Repeated engagement of the same consultants should be avoided.

12. To improve its asset management system, UNHCR could, as recommended by the Advisory Committee, adapt the system recently established for the Department of Peacekeeping Operations. The Group of 77 and China also agreed with the Advisory Committee that deficiencies and delays in the settlement of travel claims and the liquidation of travel advances should be addressed. With respect to procurement, although some improvements had been made, it was disturbing to note that a very high percentage of contracts, in terms of both number and value, were awarded to suppliers in developed countries. UNHCR rightly sought to discourage international procurement of products that could be sourced competitively at the local level, but should still take steps to establish a roster of suppliers on as wide a geographical basis as possible, and should try to include on the roster all vendors in developing countries that met the conditions required.

13. The Group of 77 and China attached great importance to the work of UNITAR and UNHCR, and trusted that the necessary improvements would be made in the near future.

14. **Mr. Yamagiwa** (Japan) said he appreciated the quality of the work of the external oversight bodies, including the Board of Auditors, and hoped that they would further enhance their reciprocal cooperation and coordination. The reports of the Board of Auditors, particularly the one on voluntary funds administered by UNHCR, were very well organized. The summaries of findings and recommendations at the beginning of the reports, which referred to the paragraphs in which more details were given, were very useful. That method should serve as a model for other lengthy United Nations documents.

15. Without minimizing the importance and relevance of the Board's observations on UNHCR, his delegation felt that the measures taken by UNHCR in response to them and the extraordinary circumstances in which it must operate, which were described in the Secretary-General's report (A/52/381), should be given due consideration. For example, to ensure that its implementing partners submitted audit certificates (recommendation 10 (a)), UNHCR had taken the welcome initiative of making the audit certification clause mandatory for all projects as from 1 January 1997. In addition, UNHCR agreed that it must intensify its efforts to obtain project monitoring reports from the implementing partners (recommendation 10 (h)), but also pointed out that those partners were not always in a position to submit reports in a timely manner, since they could encounter difficulties such as budgeting in more than one currency or expenditure in more than one location. His delegation took due note of the fact that UNHCR had begun to screen potential implementing partners in the light of their ability to produce timely reports.

16. **Ms. Shearouse** (United States of America) said she strongly supported the recommendations made by the Board of Auditors with a view to addressing the problems found in UNHCR. She was particularly concerned about the difficulty in obtaining audit certificates from implementing partners. In that connection, the figures in the table in paragraph 24 of the report were unacceptable. In addition, UNHCR seemed to engage the same consultants repeatedly, without first ensuring that the tasks assigned to them could not be carried out using in-house expertise. Those and other problems were not new; it was therefore essential for UNHCR to solve them without further delay and to ensure that the same problems were not noted again in the next report of the Board of Auditors.

17. With respect to UNITAR, it was astonishing to note that nothing had been done to implement the recommendations made in 1993, 1994, 1995 and 1996 on the need to solve the problem of deficits in some Special Purpose Grants Fund projects. She wondered whether the Board of Auditors could shed any light on the reasons for the Institute's incomprehensible position.

18. Her delegation felt that it was time to change the duration of the Board members' mandate, which was not consistent with the biennial cycles. Although her delegation did not have a final position on the issue, a six-year mandate seemed reasonable, on condition that it should be non-renewable so as to ensure the independence of the auditors while giving a larger number of countries the opportunity to be represented on the Board. Lastly, her delegation asked when the management review of the International Civil Service Commission and the special audit of the Integrated Management Information System would be published.

19. **Mr. Van de Velde** (Belgium), speaking on behalf of the European Union, said that he strongly supported the observations and comments of the Board of Auditors.

Agenda item 143: Report of the Secretary-General on the activities of the Office of Internal Oversight Services (*continued*) (A/51/432, A/51/530 and Corr.1 and A/51/801; A/52/426 and A/52/464; A/C.5/52/12)

20. **Mr. Paschke** (Under-Secretary-General for Internal Oversight Services) said, in reply to the Canadian delegation, that the procedures adopted by the Audit and Management Consulting Division of the Office of Internal Oversight Services incorporated quality assurance measures into each stage of the audit process. He discussed the Office's various functions (evaluation, inspection and investigation), referring to the relevant sections of the Office's manual and noting that

the Office always took care to ensure communication with the departments concerned, to cooperate with them and to follow standard procedures. He regretted that the Canadian delegation had referred to events which had taken place before the establishment of the Office.

21. In reply to the observations made by the Egyptian delegation, he confirmed that focal points had been designated in all the departments concerned to deal with internal oversight matters and to ensure follow-up action on the Office's recommendations. The same was true of field missions, in which the resident auditors were primarily responsible for those functions. With respect to the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the results of the fraud investigation had been transmitted to the relevant law enforcement agencies and, he hoped, would lead to the punishment of the culprits and the recovery of at least some of the funds embezzled.

22. In response to a question put by the Cuban delegation as to how the opinions of programme managers were taken into account in the Office's reports and recommendations, he said that programme managers were consulted at an early stage in the oversight process, their views were taken into account in draft reports, and their formal comments on the latter were included in the final report. As for the table on page 14 of the annual report of the Office, the entities affected by the budget reductions were the United Nations Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium (UNTAES), where the provision of \$4 million for the rental of premises had been eliminated because the rental cost was being borne by the host country, and the International Criminal Tribunal for the former Yugoslavia, the budget provision for which had been reduced by \$6.1 million, as detailed in document A/51/824. Those reductions pertained to activities outside the regular budget and were therefore not part of the \$104 million in savings requested in General Assembly resolution 50/214. It should also be noted that the budget reductions recommended by the Office had not been taken into account in the Secretary-General's reform proposals in document A/51/873. As for the United Nations Access Control System (UNACS), the Office had made recommendations in its previous annual report, but it should be noted that the table on page 14 concerned savings, rather than losses or waste.

23. As had been correctly emphasized, the Office had no mandate to interfere in the budget process. That was not, however, what it was doing when it recommended budget reductions; it was responsible for pointing out waste and inefficiencies, and preferred to intervene before the money was spent. With regard to outsourcing, it should only be

resorted to when it enabled better results to be achieved less expensively, and only for non-core activities. As for the questions regarding the legal opinion contained in document A/C.5/52/12, they should be answered by the Office of Legal Affairs.

24. With regard to the Centre for Human Rights in Geneva, the Office had made specific recommendations in document A/49/892 regarding the quality of technical assistance provided by the Centre and, since it was concerned about the lack of technical skills to provide such assistance, it had emphasized that aspect in its review of the follow-up to those recommendations.

25. He confirmed that the management of the regional office in Mexico of the Economic Commission for Latin America and the Caribbean (ECLAC) had indeed dealt with the problems identified by OIOS and categorically stated that the latter was only carrying out the mandate given to it by the General Assembly in resolution 48/218 B, without infringing on the privileges of Member States.

26. **Ms. Silot Bravo** (Cuba) said that some of the questions put by her delegation had not yet been satisfactorily answered, particularly those dealing with the improvement of mechanisms for the internal oversight of funds and programmes, and that she would raise them again in the informal consultations.

27. **Mr. Herrera** (Mexico) asked what measures had been taken by management in respect of ECLAC and, in response to the Under-Secretary-General's last remark, said that he did not doubt that the Office was complying strictly with its mandate.

28. **The Chairman** said that, if he heard no objection, he would take it that the Committee had concluded its general discussion on agenda item 143.

29. *It was so decided.*

Organization of work

30. **The Chairman** said that, under agenda item 121, the President of the Federation of International Civil Servants' Associations (FICSA) had asked to make a statement to the Fifth Committee. Since the Administrative Committee on Coordination (ACC), the Consultative Committee on Administrative Questions (CCAQ), and the International Civil Service Commission (ICSC) had decided to give the Coordinating Committee for International Staff Unions and Associations of the United Nations System (CCISUA) the same level of access as FICSA, he would take it, if he heard no objection, that the Committee wished to hear the representatives of both FICSA and CCISUA.

31. *It was so decided.*

32. **Mr. Sial** (Pakistan) pointed out that the general discussion on the proposed programme budget for the biennium 1998-1999 had not been concluded, since the report on gratis personnel had not been issued. He asked whether the report had now been published, and emphasized that the issue of staff reductions – one of the most important aspects of the budget – should be considered at the same time as that of gratis personnel.

33. **Ms. Buergo Rodríguez** (Cuba) said that her delegation had understood that the outstanding issues regarding the proposed programme budget would be discussed in a formal meeting. No meeting had been scheduled for that purpose, and she wondered how the Committee planned to proceed.

34. **Ms. Shearouse** (United States of America), recalling that she had requested information from the Advisory Committee on Administrative and Budgetary Questions and noting that no representative of the Advisory Committee was present, asked that the information in question should be provided at the next meeting.

35. **The Chairman** said that a formal meeting would be organized as soon as the information and reports requested were available.

36. **Ms. Buergo Rodríguez** (Cuba) drew attention to a letter dated 16 October 1997 addressed to the Chairman of the Fifth Committee by the Chairman of the Sixth Committee with regard to the resolution on the United Nations Decade of International Law, in particular paragraphs 9 and 10 thereof, which concerned, *inter alia*, the cost of diffusing certain publications on the Internet, she said that the Sixth Committee should be informed that it could not take a decision until the Fifth Committee had considered the matter.

37. **The Chairman** recalled, in that connection, that he had addressed a letter to the President of the General Assembly concerning compliance with rule 153 of the rules of procedure of the General Assembly, with the request that it should be circulated to the Chairmen of the Main Committees. He believed that that had been done.

The meeting rose at 11.15 a.m.