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Chairman: Ms. Wensley (Australia)
*Chairman of the Advisory Committee on Administrative
and Budgetary Questions:* Mr. Mselle

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The meeting was called to order at 10.05 a.m.

Agenda item 117: Financial reports and audited financial statements, and reports of the Board of Auditors *(continued)*

(a) United Nations peacekeeping operations *(continued)* (A/54/5 (Vol. II), A/54/748 and A/54/801)

1. **Mr. Woodward** (Board of Auditors), introducing the report of the Board of Auditors on the audit of United Nations peacekeeping operations for the 12-month period from 1 July 1998 to 30 June 1999 (A/54/5 (Vol. II)) on behalf of the Chairman of the Board, listed some of the Board's major findings and recommendations.

2. The Board had found that claims by troop-contributing countries totalling \$320.8 million had not been recorded in the accounts, mainly because funds had not been reserved to settle the claims. The periodic review of unliquidated obligations which had been recommended by the Board had led to savings of \$389.3 million as a result of the cancellation of unliquidated obligations for prior and current periods. The establishment of a global procurement planning process, which had also been recommended by the Board, had resulted in savings of \$802,000 during the 12-month period ending 30 June 1999. Lastly, the Board could not confirm the accuracy of the information on the final disposition of assets of the United Nations Observer Mission in Liberia (UNOMIL) owing to the absence of relevant supporting documentation.

3. The Board's recommendations to address those particular findings were that the Office of Programme Planning, Budget and Accounts should ensure that all expenditure relating to a financial period was captured in the accounts and that the Office and the Department of Peacekeeping Operations should improve their coordination to ensure accurate financial reporting. It also recommended that the Department of Peacekeeping Operations should explore additional areas for global procurement planning and take action to locate the relevant asset disposition records of UNOMIL and ensure that in future such records were made readily available for audit review.

4. The Board had reviewed the status of implementation of its recommendations for the

financial periods ending 30 June 1997 and 30 June 1998 and had confirmed that there were no outstanding matters in respect of its report on the 18-month period ending 30 June 1997.

5. The Board had also taken note of the request contained in the report of the Advisory Committee (A/54/801) that it should monitor on a regular basis the special audits that had been requested by the General Assembly and report to the Assembly through the Advisory Committee, as appropriate, on the implications of such ad hoc requests for its ability to set audit priorities, including having sufficient lead time for the preparation of audit reports. The Board appreciated the Advisory Committee's sentiments and would endeavour to comply with its request.

6. The Advisory Committee had also expressed concern at the large overdue amounts related to staff and non-staff activities; the Board would follow up on that matter in its next audit.

7. **Mr. Mselle** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/54/801), welcomed the timely submission to the Advisory Committee of the Board's report, which had facilitated its review of the peacekeeping budgets.

8. ACABQ requested that the Board of Auditors should monitor the workload that resulted from requests for special audits and report to the General Assembly through the Advisory Committee, as appropriate, on the Board's ability to set audit priorities, including having sufficient lead time for the preparation of special audit reports (para. 4). The Advisory Committee drew attention to the Secretariat's practice regarding reimbursement to troop-contributing countries for personnel and equipment and for death and disability claims (para. 7). With regard to inventory management, the Board's finding indicated that more needed to be done to address the weaknesses that had been identified in previous reports. While there had been some improvement in procurement practices, the Board had identified a number of shortcomings that needed further attention. In that connection the Advisory Committee requested the Secretary-General to submit to the General Assembly a comprehensive report on the use of the field assets control system and the extent to which it had benefited

procurement and the management of peacekeeping assets (para. 21).

9. The Advisory Committee also commented on the Board's findings on the selection, clearance and placement of civilian police personnel (para. 22). Those comments should be read in conjunction with the Advisory Committee's observations in its report on the support account for peacekeeping operations (A/54/832) and on the financing of the United Nations peacekeeping operations (A/54/841).

10. The Advisory Committee expressed its dissatisfaction (para. 14) with the action that the Administration had taken so far concerning the Board's audit finding regarding the loss of laptop computers in the United Nations Verification Mission in Guatemala (MINUGUA). In view of the Board's conclusion the Advisory Committee requested that the circumstances leading to the loss of the laptops should be fully investigated.

11. The report of the Secretary-General on the Guidelines for Internal Control Standards (A/54/427) had been submitted in accordance with General Assembly decision 53/455. The Advisory Committee noted that the Secretariat intended to implement its recommendation.

12. **Mr. Ramos** (Portugal), speaking on behalf of the European Union, the associated countries Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia and Turkey, and, in addition, Norway, said that the late submission of documentation had again hindered the Committee's work. Audit was an important oversight function, and the European Union was pleased that the recommendations of the Board of Auditors for the period ending 30 June 1997 had been fully implemented, but noted that the Board had not always been provided with all necessary information to fulfil its mandate, in the discharge of which it should be assisted by the Secretariat.

13. Turning to specific recommendations, the European Union shared the view of the Advisory Committee that greater use should be made of technology in introducing a more efficient method of clearing and dealing with inter-office vouchers. It noted with concern that management in peacekeeping missions was failing to enforce a recovery policy to obtain from staff monies owed to the Organization, and underlined that management and staff bore equal

responsibility for ensuring compliance with the relevant financial rules.

14. The European Union noted with concern the lack of progress in inventory management in peacekeeping operations and saw a need to reduce the risk of loss and excessive or unnecessary acquisitions. It concurred with the Advisory Committee that the asset module of the field assets control system would greatly improve the ability of managers to control and audit mission inventories. An effective and efficient system of control over assets used or transferred by missions should result in savings to the Organization. An essential prerequisite for efficient management of resources was the training of staff, and the European Union shared the Board's view on the reintroduction of training for chief administrative officers, accompanied with an obligation for mobility to serve in peacekeeping missions.

15. Finally, civilian police were a crucial element of modern operations. Requirements in the field underlined the need for the utmost care in the selection process, which was the responsibility both of Member States and the Secretariat.

16. **Mr. Christian** (Ghana) said that Ghana would cease to be a member of the Board of Auditors in June, after 24 years of service. He paid tribute to the hard work and devotion of the Ghana Audit Service in making its contribution to the efficiency and effectiveness of the Board.

17. His delegation was pleased to note the progress made in ensuring that the monitoring and reconciliation of inter-office vouchers took place on a more regular basis. It was gratifying that inter-office transactions pending processing in respect of peacekeeping operations had been significantly reduced from a debt balance of \$24.3 million as at 30 June 1998 to \$2.4 million as at 30 June 1999 and that the Administration had also reduced the credit balance in respect of inter-office vouchers pending processing over that period. The amount of procurement that could be handled by field missions under delegated authority had been increased to \$200,000, yet only three of the nine field missions examined by the Board had prepared procurement plans, which had resulted in the purchase of similar items piecemeal. His delegation strongly urged that planning based on the Procurement Manual should be given proper attention by field missions in order for economies of scale to be achieved.

18. The Board had advised that the practice of procuring items under free-on-board contracts should be reviewed to ensure consistency with the Financial Rules and the Procurement Manual, and the Advisory Committee had commented on that topic in its report (A/54/801). His delegation noted with concern, however, that some peacekeeping missions had failed to submit evaluations of the performance of suppliers whose contracts exceeded \$200,000, as required. It therefore endorsed the Board's recommendation that all field missions should comply with established procedures for reporting on the performance of vendors and contractors.

19. His delegation expressed concern at the lapses reported in the liquidation of peacekeeping missions. Special attention should be taken to ensure that established rules, regulations and procedures were enforced.

20. **Mr. Orr** (Canada) said that the timeliness of the issuance of the report of the Board of Auditors (A/54/5 (Vol. II)) — circulated just one week prior to its consideration by the Committee and less than two months before the end of the current financial period for peacekeeping operations — needed to be dramatically improved in order for Member States to properly evaluate the detailed information provided. While his delegation appreciated the complexity of the tasks of preparing the financial statements, translating the document and auditing the various missions around the world, in order to ensure proper consideration future reports should be issued in early April of each year, particularly in the light of the dramatic increase in peacekeeping activity in the current and forthcoming financial periods.

21. His delegation was disturbed by the Board's finding that claims totalling \$320.8 million submitted by 53 troop-contributing countries had not been recorded in the accounts. It concurred with the Advisory Committee's view that the non-recognition of such claims was a serious deficiency that needed urgent attention and looked forward to the report requested by the Advisory Committee on the practice of the United Nations regarding accounts payable and contingent liabilities. The report should examine the impact of the delay in the certification of claims submitted by troop-contributing countries. It was a generally accepted principle that disclosure in the notes to the financial statements was not a substitute for proper accounting treatment. It would be interesting to know how the

Board had been able to issue an unqualified opinion on the financial statements given the material omission.

22. The Board noted that \$389.3 million in unliquidated obligations had been cancelled during the financial period. While his delegation welcomed the reduction in liabilities, it wondered why the Board had not raised the question in previous years and what sort of audit procedures it used to examine the validity of the nearly \$700 million in unliquidated obligations recorded in the accounts as at 30 June 1999.

23. His delegation noted from the information provided in statement I that income had exceeded expenditure by some \$88 million, or nearly 10 per cent of total assessments, over the period from 1 July 1998 to 30 June 1999. While the excess had declined dramatically from nearly \$135 million in the previous period, the consistent overbudgeting was a matter of concern to his Government, especially since Canada paid its assessments in full, on time and without conditions. The Board should investigate the reasons for the chronic overbudgeting and make appropriate recommendations.

24. The Board should also consider whether its report should focus more on the overall management issues involved in peacekeeping operations in order to facilitate the governance role of the Fifth Committee. The report could be shorter if more information, including information relating to the recording of inter-office vouchers, the coding of the Integrated Management Information System (IMIS) system and the recovery of accounts receivable, was conveyed in management letters. One of the broader management issues on which the Board should concentrate was the timely staffing of operations, including the timely articulation of staffing requirements, effective communication of those requirements and prompt recruitment of staff. Such issues were of crucial importance now that the Organization had been tasked with a number of new peacekeeping operations.

25. **Mr. Repasch** (United States of America) said that his delegation, too, regretted the late issuance of the report of the Board of Auditors, which had not left it enough time to review the report and obtain clearance for a statement on its contents.

26. The Board's finding that \$320.8 million in claims had not been recorded in the accounts reflected a breakdown in the system. His delegation noted that the Administration had established a global procurement

planning process and had prepared a plan for selected major operational requirements identified from the budgets of individual missions and that use of the global plan had resulted in savings of \$802,000 for the period in question. At the same time, however, the Board had found that six of the nine peacekeeping missions which it had examined had not been guided by any procurement plan and that, as a result, similar items had been purchased on a piecemeal basis. Measures should therefore be taken to further improve the procurement process.

27. The Board had also found that there had been an increase in the number of civilian police repatriated, partly as a result of failing the English language or driving tests or for medical reasons. Given the dire need for staff in the various missions, the Secretariat should provide information on what was being done to improve that record.

28. Turning to the report of the Advisory Committee (A/54/801), he was pleased to note that the Administration had implemented all the recommendations of the Board of Auditors for the 18-month period ending 30 June 1997 and that there were no outstanding matters. That achievement was due to the good work that had been done by the Board and was a reflection of the seriousness with which the Secretariat, and the Department of Peacekeeping Operations in particular, treated the Board's findings and recommendations.

29. His delegation noted that the Advisory Committee had requested that it be provided with the results of the proposed review of the United Nations accounting standards by the Consultative Committee on Administrative Questions (CCAQ). The Secretariat should inform the Committee of the current status of that review.

30. The Advisory Committee had also expressed concern at the large overdue amounts relating to staff and non-staff activities as a result of management's failure to enforce the recovery policy. The Secretariat should explain why a more proactive approach to the recovery of legitimate charges was not being adopted.

31. His delegation would welcome information on the current status of the investigations into the circumstances leading to the loss of laptop computers in the United Nations Verification Mission in Guatemala (MINUGUA). It would also welcome the views of the Secretariat on the Advisory Committee's

recommendation that consideration be given to issuing the Procurement Manual in other official languages of the United Nations. The Manual was a purely internal document for use by the staff of the Secretariat and he could not see the usefulness of having it translated into other languages of the Organization.

32. The Advisory Committee had noted with concern that a fraud case in the United Nations Mission in Bosnia and Herzegovina had gone on for over two years, even though there had been a resident auditor in the Mission. The Secretariat should address the internal control weaknesses that had permitted the fraud to be perpetrated and report on the measures that it had taken to bring to account the other officials with responsibility for overseeing internal controls.

33. **Mr. Halbwachs** (Controller) said that he would respond at a later stage to the points raised by the various delegations.

34. **Mr. Woodward** (Board of Auditors), replying to the questions raised by delegations, said, with regard to the date of issuance of the report of the Board of Auditors (A/54/5 (Vol. II)), that the Board had responded to the Advisory Committee's request for earlier issuance of the report so that it would be available for its consideration of the budget of the Department of Peacekeeping Operations. The report had been delivered to the Advisory Committee on 28 January 2000. The time required for translation into the other five official languages of the Organization and issuance of the completed document had occasioned the subsequent delay. He agreed, however, that the Board should address the concerns that had been raised.

35. As to why the amount of \$320.8 million had not been reflected in the financial statements as accounts payable, that was a very complex area and the Board itself had been slowly uncovering the full picture. It noted that in some cases claims by troop-contributing countries that had not yet been assessed were reflected as contingent liabilities, while in others they were not. Also, some amounts that had been assessed were reflected as accounts payable, while others were not. The Board's aim was to ensure that the financial statements presented a full picture of outstanding claims. The amount in question was not reflected in the report because the United Nations accounting system did not permit claims to be recognized unless the budget provided funds with which to pay them. The

Board would review the presentation of claims in the financial statements.

36. On the subject of unliquidated obligations, each year the Board inevitably uncovered unliquidated obligations that were no longer needed. The Board therefore sought to verify that all such obligations were still valid. It was a matter to which it would draw the Secretariat's attention.

37. Concerning the suggestion that the Board's report could be shortened if some material were included in management letters, it was a matter of judgement to decide which issues would be of interest to governing bodies. The Board would keep the suggestion under review and would include in management letters material which in its view would not be of interest to the Committee.

38. Lastly, the Board would take up the questions of staffing needs and the recruitment process when it met in June 2000.

Agenda item 118: Review of the efficiency of the administrative and financial functioning of the United Nations *(continued)*

Guidelines for Internal Control Standards (A/54/427)

39. **Mr. Repasch** (United States of America) said that when the issue of guidelines for internal control standards had first been raised, his delegation had believed that it was reasonable to expect an international organization such as the United Nations to observe the Guidelines established by the International Organization of Supreme Audit Institutions (INTOSAI). It had disagreed with the view of the Advisory Committee that the standards were too general to be useful, believing that they should be applied to all staff, considering the many problems which had arisen related to internal controls.

40. **Mr. Orr** (Canada) said that a number of issues would have been avoided if the INTOSAI Guidelines on controls and separation of duties had been put into place. He asked what impact the implementation of those standards might have on the update of the Financial Regulations and Rules.

41. **Mr. Ramos** (Portugal), speaking on behalf of the European Union, said that the European Union concurred with the United States and Canada and

agreed that the Guidelines should be integrated into United Nations rules.

42. **Mr. Connor** (Under-Secretary-General for Management) said that the revision of the Financial Regulations and Rules was nearing completion. The INTOSAI Guidelines had not been incorporated, and thus would have no impact on the revision.

43. **Mr. Repasch** (United States of America) said that there would seem to be some value in incorporating the Guidelines into the rules and regulations and asked what would be needed in order to accomplish their incorporation.

44. **Mr. Connor** (Under-Secretary-General for Management) said that the Secretariat had attempted to incorporate the Guidelines into the text of the rules and regulations in language that would distinguish them from more specific rules. Its format for doing so had not found favour with the Committee, however.

45. **Mr. Ramos** (Portugal) said that the European Union favoured incorporation and would like the Committee's decision on the subject to reflect that fact.

46. **Mr. Orr** (Canada) suggested that the Committee could endorse the recommendations of the Secretary-General in document A/52/867, paragraph 11.

47. **The Chairman** said that the text of a draft decision would be submitted to the Committee for its consideration at a future meeting.

The meeting rose at 11.10 a.m.