



SUMMARY RECORD OF THE 5th MEETING

Chairman: Mr. KUYAMA (Japan)

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

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The meeting was called to order at 10.45 a.m.

1. The CHAIRMAN said that before beginning consideration of the items on the agenda for the meeting, he would give the floor to the representative of Poland in accordance with the provisions of rule 110 of the rules of procedure of the General Assembly.

2. Mr. ABRASZEWSKI (Poland) expressed his sincere congratulations and best wishes to the Chairman, the Vice-Chairmen, Mr. Henrik Anneus (Sweden) and Mr. Tommo Monthe (United Republic of Cameroon), and the Rapporteur, Mr. Even Fontaine Ortiz (Cuba) and to Mr. Armando Duque, Secretary of the Committee. In addition, he pledged the full co-operation of his delegation in seeking to ensure that the work of the Committee would be carried out with complete success.

AGENDA ITEM 107: FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS AND REPORTS OF THE BOARD OF AUDITORS (continued) (A/38/5/Add.1-3, Add.4 and Corr.1, Add.5 and Add.7; A/38/433)

- (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

Proposed changes by the Board of Auditors to the annex to the Financial Regulations of the United Nations (A/38/313 and Corr.1)

3. Mrs. HOUSHOLDER (United States of America), after commending the Board of Auditors for its work and expressing her appreciation to the Advisory Committee for its careful review of the reports of the Board, said that her Government was making a vigorous effort domestically to identify and eliminate waste and mismanagement in order to make the most effective use of resources. Her Government hoped that the United Nations and the other international organizations in which it participated would make the same effort to ensure that financial and administrative practices were efficient and effective.

4. Her delegation found the report of the Advisory Committee (A/38/433) to be very helpful and generally concurred with its comments. She was pleased to note that for the six organizations reviewed, the Board of Auditors had followed up its previous recommendations and that the organizations, in turn, had taken action to correct the shortcomings identified by the Board.

(Mrs. Housholder, United States)

5. Her delegation was disturbed by the Board's criticism of the cash management policies of the organizations under review. At the present time of tight financial resources, prudent use of those funds should be the highest priority of the organizations. When one considered that the bulk of their resources were provided on a voluntary basis by donor countries, it was difficult to understand how some of the actions noted by the Board of Auditors could have taken place. She hoped that developing countries would join the principal donors in pressing the organizations to ensure better use of available resources rather than press for more funding and allow the practices noted by the Board of Auditors to continue.

6. With regard to the United Nations Development Programme, her delegation shared the concern expressed by the Board of Auditors (A/38/5/Add.1) about the continued accumulation of non-convertible currencies and the impact of utilizing them in programme/project selection and staff time. Similarly, she noted with alarm that once again UNDP expenditures had exceeded income and that there was a negative balance in the Revenue Reserve. UNDP must take stringent measures to keep spending levels in line with available income. The weaknesses noted in the programme and project area, including delays in semi-annual progress reporting, cost overruns and the proliferation of "unforeseen expenditures", all reflected a lack of internal control which contributed to the cash problems plaguing the Programme. With respect to the excessive outstanding travel advances, there was a proven remedy: Like some Member States, UNDP should impose a limit of only one travel advance per employee and it should not grant any new advances until the situation had been cleared up with respect to the previous advance. The frauds noted in the field offices were deplorable and, naturally, recovery of those funds should be pursued. Nevertheless, it should be pointed out that such fraud was symptomatic of a loose internal control system, which needed to be tightened up in order to ensure better management of the slim resources available to UNDP.

7. With regard to the United Nations Children's Fund, and as pointed out in the report of the Board of Auditors (A/38/5/Add.2), in 1982 there had been an increase in income level over that of 1981. However, she was concerned about the lack of financial control in the operations of the Greeting Card Operation. That was an important source of revenue for UNICEF and warranted tighter constraints in order to ensure an optimum level of income. In addition, and as noted by the Board, procurement procedures should be improved in order to ensure that the Fund received full value for its investment.

8. The report of the Board of Auditors on the United Nations Relief and Works Agency for Palestine Refugees in the Near East (A/38/5/Add.3) noted some deviations from good contracting practices that would have an adverse effect on the use of available funds. The Board had discovered that contracts had been modified (thus increasing the liability of the Agency without the benefit of prior legal counsel), that there was no record of the past performance of contractors that could be used as a guide in future bidding, and that there had been a paucity of suppliers bidding for contracts. Her delegation encouraged UNRWA to strengthen its control in that very important area.

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(Mrs. Housholder, United States)

9. Her delegation assumed that the lack of ACABQ comments on the report of the Board of Auditors on the United Nations Institute for Training and Research (A/38/5/Add.4 and Corr.1) did not mean that the findings of the Board were not major enough to comment upon, since that report portrayed a classic example of fiscal confusion. UNITAR had taken five months to prepare its financial statements rather than the three months allotted. Cash payments had been poorly handled; payments had been made without authorization, receipts had not been issued and transactions had not been recorded. Such lack of control invited the misuse of funds and should be remedied immediately. It should be noted that the statement of income and expenditure reflected an income surplus of \$240,222 for 1982, but that the report of the Executive Director forecast a deficit of \$700,000 for 1983; that meant that in 1983 expenditure of almost \$1 million in excess of income was anticipated. As for the status of appropriations from the UNITAR General Fund (statement I, p. 12), it could be seen that appropriations had been transferred principally from the programme areas of training and research into general expenses. The largest balances of unliquidated obligations were also recorded against the Departments of Training and Research. The Board of Auditors had, in addition, made the point that travel claims were not being submitted in due time, that there had been no evaluation of the quality of work done by consultants, who were treated as full-time employees, and that the record-keeping with respect to the sale of publications was poor. That litany of problems reflected a real need to adopt firm administrative measures and establish stronger systems of control.

10. The findings of the Board of Auditors on the voluntary funds administered by the United Nations High Commissioner for Refugees (A/38/5/Add.5) again conveyed the message of a disappointing lack of financial planning and fiscal control. The Board noted problems in the area of procurement procedures, including a failure to plan for the disposal of surpluses from the field or to review in detail the terms and conditions of contracts and an inability to enforce procurement agreements. Those weaknesses had to be remedied to allow the Office of the High Commissioner to fulfil its mandate. According to the Board, cash management problems were prevalent, and the basic field budget changed too frequently to allow for reasonable planning. That budget must be prepared more realistically and an attempt should be made to follow it as a guide for operations. The United States delegation supported the suggestion that the "zero balance" approach followed by UNICEF should be reviewed to determine its applicability to cash management in the UNHCR field offices.

11. The United Nations Fund for Population Activities, according to the report of the Board of Auditors (A/38/5/Add.7), had no clearly defined working relationship with UNDP, even though UNDP provided basic financial and administrative support. That lack of a formal agreement on respective responsibilities had been commented on during the meeting of the UNDP Governing Council the previous summer. Her delegation concurred with the Board of Auditors that a formal operational support agreement between UNFPA and UNDP was necessary to allow both organizations to determine accurately their administrative support costs. A clear line of demarcation between projects that were population-related and those that were not was necessary in order to monitor the ability of each organization to deliver in its field of competence.

(Mrs. Housholder, United States)

12. Her delegation supported the ACABQ position with regard to the changes proposed by the Board of Auditors in the annex to the Financial Regulations of the United Nations (A/38/313 and Corr.1), and believed that it was important to retain the wording referring to the scope of the audit work performed.

13. Mr. TAKASU (Japan) expressed appreciation for the excellent work done by the Board of Auditors and for the detailed review by the Advisory Committee.

14. With regard to the United Nations Development Programme, the Board of Auditors had recommended that in view of its critical financial situation, UNDP should take further steps to find new sources of income and reduce expenditure, and to monitor carefully programme support and administrative service costs, with a view to maximum efficiency and effectiveness. The response to appeals for more generous contributions might be greater if they were accompanied by evidence of improvements in the systematic monitoring and evaluation of programmes.

15. In the case of both UNDP and UNHCR, the Board had emphasized the importance of monitoring the work of the executing agencies responsible for projects. Obviously, efficient control and project evaluation depended upon the willingness of those executing the projects to co-operate, and their ability to do so. The recommendation was none the less, extremely important; consequently, the Administrator and the executive heads would have to redouble their efforts in that direction.

16. Japan supported the recommendation of the Board of Auditors that UNDP, UNFPA and the Office of UNHCR should establish better systems of control over project budgets and expenditures. A comparison between the monitoring of administrative expenditures and that of project expenditures showed a lax supervision of the latter. The Board of Auditors cited many cases of delay in the carrying out of projects, excessive expenditure, non-use of allocations and spending without the necessary provision in the budget or documentation.

17. The schedule for carrying out the projects was undoubtedly affected by various factors, and the need for prompt execution was not always compatible with the cumbersome budgetary procedures; moreover, the value of a project could not be questioned simply because more was spent than had been budgeted. However, it was in order to ask how the idea of the budget as an effective financial management and supervision tool was to be applied. There was also a need to know who controlled project expenditures. It would be interesting to be able to compare the authorized budgetary limits with actual spending in the case of each project. A simplified system of information on the projects could perhaps be introduced for that purpose, without prejudice to the need for a stricter budgetary control. It would be useful for the administrations to formulate some observations in that regard.

18. In view of the current stagnation of resources, which had affected the operation of many projects, it was becoming increasingly important to reduce administrative and programme support costs, so as to be able to allocate most of the available resources to the execution of projects. The present tendency for the

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(Mr. Takasu, Japan)

share of administrative costs in total expenses to increase, not decrease, was a cause for concern. For example, in the case of UNDP, there were some administrative costs whose real nature was not immediately visible. Also, as noted by the Board of Auditors, the programme support projects should not be treated as though they were projects in the usual sense, and a way should be found to incorporate those costs into the administrative budget.

19. Agency support costs were also largely administrative, since they were not items of direct benefit to the recipient countries. The Board of Auditors had referred to some cases where consultants were hired for administrative work. It was relevant to ask what proportion of resources actually reached the recipient countries once all the administrative costs had been defrayed. It would be appropriate for the Governing Council, or some other governing body, to look into the matter and suggests ways of halting the current trend.

20. The Japanese delegation supported the opinion of the Advisory Committee on the transferral of credits between sections in UNFPA. They also supported the position of the Advisory Committee on the changes proposed by the Board of Auditors to the annex to the Financial Regulations of the United Nations (A/38/313 and Corr.1).

21. The CHAIRMAN said that, if there was no objection, he proposed to submit for the consideration of the Committee a draft resolution on the financial reports and audited financial statements, and reports of the Board of Auditors, formulated in the same terms as resolution 36/65, adopted by the General Assembly at its thirty-sixth session. As to the recommendation of the Board of Auditors on changes to the annex to the Financial Regulations of the United Nations, it was his intention to propose a draft resolution which would incorporate the amendments proposed by the Board, together with the modification recommended by the Advisory Committee in its report.

AGENDA ITEM 111: FINANCIAL EMERGENCY OF THE UNITED NATIONS (continued) (A/C.5/38/9 and Corr.1)

22. Mr. TRUSCOTT (Australia) said that although it was true that the same statements had been repeated year after year and yet had not prevented the financial situation of the United Nations from further deteriorating, it was essential to say once again that the only solution to the current emergency was that all States Members of the Organization should pay their share.

23. In his report (A/C.5/38/9), the Secretary-General had observed that, following the General Assembly's appeal at the previous session, a substantial number of Member States had forwarded their contributions more expeditiously in 1983, but it should be remembered that, although the cash flow had improved a little, the overall situation had not, as was shown by the increase of 6.5 per cent shown in the short-term deficit. Also, more than 50 States had made no payment by mid-August. Perhaps the Organization, which should be thought of as a sick patient, had moved from a condition of acute emergency to one of chronic emergency, but much still needed to be done before any semblance of good health could be restored.

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(Mr. Truscott, Australia)

24. A realistic approach should be adopted, and it should be recognized that, at best, improvement would be a slow process. Programmes must go ahead, but the luxury of waste could not be afforded; the Organization would have to trim away fat and conduct all its activities in the most efficient and cost-effective manner. Given the circumstances, his delegation repeated once again its great concern and strongly urged all Member States to meet their financial responsibilities so that the United Nations could carry out the work for which it was founded.

25. Mr. MAJOLI (Italy) said that, since he was familiar with the accumulating deficit and the attempts being made to wipe it out, he would like to present a few facts in order to refresh the memory of some colleagues and provide information to others.

26. General Assembly resolution 2049 (XX) had established an Ad Hoc Committee of Experts, composed of 14 members, of which he had been appointed Chairman; that Committee had determined the amount of the deficit and had sparked some enthusiasm in response to its appeal for an effort to redress the economic situation of the United Nations. The following year, a number of countries had paid their assessed contributions promptly or had bought the bonds which had been issued in the interim at the very low interest rate of 2 per cent; among them was Italy, which had made a voluntary contribution of \$US 1.5 million and had invested another \$US 9 million in the bonds. Too few countries had followed Italy's lead, however, and the deficit had continued to increase.

27. The only conclusion to be drawn was that, although some countries wished to maintain certain positions of principle, voluntary contributions represented the best method of dealing with the current economic crisis. It was his hope, then, that he would shortly witness the same goodwill as had been shown in 1966-1967, when the representative of one of the Powers which had been withholding its contribution to the peace-keeping activities had personally guaranteed to him that the Secretary-General could count on receiving that contribution.

#### OTHER MATTERS

28. The CHAIRMAN, in response to the complaints made about press communiqués, read out a letter from the Under-Secretary-General for Public Information which explained that, unlike summary records, press communiqués were mainly intended for the news media, were written as quickly and briefly as possible, with due respect for the criteria of balance and impartiality, and were not issued in a provisional version.

29. Wherever possible, those communiqués were issued in French and English, according to the staff available. If errors occurred, they were corrected at the request of the persons concerned, but it was not possible to issue a correction to add material or make changes. In order to ensure that the communiqués were as accurate as possible and were issued with all due speed, it was extremely important for delegations to provide copies of the statements they made.

The meeting rose at 11.40 a.m.