



SUMMARY RECORD OF THE 3rd MEETING

Chairman: Mr. KUYAMA (Japan)

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

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- (a) REPORT OF THE NEGOTIATING COMMITTEE ON THE FINANCIAL EMERGENCY OF THE UNITED NATIONS
- (b) REPORT OF THE SECRETARY-GENERAL

ORGANIZATION OF WORK

The meeting was called to order at 10:45 a.m.

ELECTION OF OFFICERS

1. The CHAIRMAN announced that consultations on the composition of the Bureau had not yet been completed. He therefore suggested that the election of the remaining officers should be postponed until a later meeting.

AGENDA ITEM 17: APPOINTMENTS TO FILL VACANCIES IN SUBSIDIARY ORGANS AND OTHER APPOINTMENTS

(a) APPOINTMENT OF SIX MEMBERS OF THE ADVISORY COMMITTEE ON ADMINISTRATIVE AND BUDGETARY QUESTIONS (A/38/101 and Add.1; A/C.5/38/13)

2. The CHAIRMAN said that the Secretary-General had informed the General Assembly that, effective immediately, Mr. Anatoly Vasilievich Grodsky of the Union of Soviet Socialist Republics, had resigned, from membership on the Advisory Committee on Administrative and Budgetary Questions, and that, as a result, the General Assembly would, at its current session, have to appoint an individual to serve for the unexpired portion of Mr. Grodsky's term of office, i.e., until 31 December 1984.

3. The Government of the Soviet Union had proposed that Mr. Igor Vasilevich Khalevinsky be appointed to fill the vacancy. Since no other candidature had been put forward and if he heard no objections, he would take it that the Fifth Committee wished to dispense with a secret ballot.

4. It was so decided.

5. The CHAIRMAN said that, if there was no objection, he would take it that the Committee wished to recommend by acclamation the appointment of Mr. Khalevinsky as a member of the Advisory Committee on Administrative and Budgetary Questions, for a term beginning on the date on which the General Assembly approved the appointment in a plenary meeting and expiring on 31 December 1984.

6. It was so decided.

7. The CHAIRMAN requested the Rapporteur to report directly to the General Assembly on the recommendation which the Committee had just adopted.

AGENDA ITEM 107: FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS

(a) UNITED NATIONS DEVELOPMENT PROGRAMME (A/38/5/Add.1)

(b) UNITED NATIONS CHILDREN'S FUND (A/38/5/Add.2)

(c) UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST (A/38/5/Add.3)

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- (d) UNITED NATIONS INSTITUTE FOR TRAINING AND RESEARCH (A/38/5/Add.4 and Corr.1)
- (e) VOLUNTARY FUNDS ADMINISTERED BY THE UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES (A/38/5/Add.5)
- (f) UNITED NATIONS FUND FOR POPULATION ACTIVITIES (A/38/5/Add.7)

8. Mr. VREBOS (Chairman of the Board of Auditors) thanked the Fifth Committee for giving him the opportunity to introduce the reports of the Board of Auditors on the accounts for the financial period ending 31 December 1982 for the Office of the United Nations High Commissioner for Refugees, the United Nations Children's Fund, the United Nations Institute for Training and Research, the United Nations Development Programme, the United Nations Fund for Population Activities and the United Nations Relief and Works Agency for Palestine Refugees in the Near East. In addition, the Board of Auditors had audited the accounts of the United Nations Joint Staff Pension Fund and had prepared a report on that subject, which would be included in the annual report of the Joint Staff Pension Board.

9. A number of changes had occurred in the membership of the Board of Auditors: Mr. Kahn, the Comptroller and Auditor General of Bangladesh, and Mr. Coleman, the Auditor General of Ghana, had retired and had been succeeded by Mr. Huq and Mr. Nelson respectively. After giving valuable service to the United Nations, Mr. Saffo had left the Audit Operations Committee and had been replaced by Mr. Conduah, the Director of the External Audit of Ghana.

10. The Board of Auditors had made some slight changes in the format of its reports, which in the past had been preceded by a summary of the Board's observations, and had prepared a list of the most important observations for all the organizations.

11. As usual, the work of the Board of Auditors had been carried out by the staff of its three member countries, namely Bangladesh, Belgium and Ghana, under the direction of the Audit Operations Committee. The three members of that Committee maintained regular contacts with the various administrations so as to deal with all auditing problems.

12. In accordance with the usual practice, the observations of the Board of Auditors had been transmitted to the heads of the various organizations. In that connection, 73 management letters setting out the findings of the audits and the Board's recommendations had been written.

13. Mr. CHOUDHURY, the Chairman of the Audit Operations Committee, assisted by two of his colleagues, was available to answer any questions the Fifth Committee might have. In addition, he (Mr. Vrebos) would be glad to answer any questions relating to the Board's policies and the conduct of its activities.

14. He wished to make a number of general comments on the reports of the Board of Auditors, which had already been considered by the Advisory Committee on Administrative and Budgetary Questions in June 1983. Those comments would relate to procurement, cash management, budgetary control, project preparation, monitoring and evaluation, consultants and travel.

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(Mr. Choudhury)

15. It had once again come to light that, in the various procurement units of UNFPA, UNICEF, the Office of the High Commissioner for Refugees and UNRWA, many orders had been placed without competitive bidding and delivery schedules had not always been met. The Board had also identified other shortcomings. For example, payments had not been received from insurers in a number of cases in which goods had been damaged in transit, and there was no effective procurement planning or evaluation of approved or potential suppliers.

16. With regard to the cash management in UNICEF, UNITAR, the Office of the United Nations High Commissioner for Refugees and the United Nations Joint Staff Pension Fund, there was no comprehensive monitoring of the management of funds available for investment, and procedures for cash replenishments were inadequate.

17. With regard to budgetary control in UNFPA, UNICEF, the Office of the United Nations High Commissioner for Refugees, UNRWA and UNDP, it should be pointed out that in various units expenditures had exceeded budget allotments, which vitiated the usefulness of a budget as a tool for forecasting and authorization. Some of the expenditures could be justified on the basis of unforeseen circumstances, especially within a single budget. In some cases, transfers between allotments had been requested, but only after the expenditure had been made. In order to preserve budgetary discipline and prevent expenditures from exceeding allotments, a procedure should be established requiring authorization to be sought before an expenditure could be made. In addition, attention should be drawn to the necessity of reducing funds earmarked for "other expenditure", the inadequacy of allotment control procedures and failure to comply with the financial regulations.

18. In connection with the preparation and evaluation of the projects of UNFPA, UNICEF, UNHCR, UNDP and UNITAR, the Board of Auditors had commented on the fact that, in the preparation of budgets, the objectives had not been clearly defined and no adequate plan for the implementation of the project had been established. In addition, it had drawn attention to the lack of appropriate feasibility studies for specific projects and had indicated that the amount of the funds allotted was less than actual expenses. Moreover, the Board had noted the lack of timely and effective involvement by participating and executing agencies in project implementation as well as the lengthy delays in carrying out operations.

19. As to the hiring of consultants, the Board of Auditors had noted that field offices engaged consultants without the necessary authorization from headquarters, that the performance of consultants was not evaluated and that the roster of consultants did not contain any reference to their qualifications for the performance of their functions.

20. Referring to the travel expenditures of UNDP, UNITAR and UNRWA, he drew attention to the fact that the travel function had not yet been computerized, that there were delays in clearing outstanding advances and that the purpose of travel was not clearly specified on the relevant forms.

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21. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the report of the Advisory Committee (A/38/433), said that as usual ACABQ had not submitted detailed comments on each recommendation or observation of the Board of Auditors. He therefore intended only to bring to the attention of the Committee three questions relating to that report.

22. Firstly, most of the reports of the Board of Auditors which the Committee had before it included observations made by the offices concerned. That was not the case, however, of the report on the funds administered by the Office of the United Nations High Commissioner for Refugees (A/38/5/Add.5), in which no such observations appeared. That had made it necessary for the Advisory Committee to request that Office for additional information on some questions raised by the Board of Auditors. That information was reflected in paragraphs 19 to 24 of the Advisory Committee's report (A/38/433).

23. Secondly, paragraph 12 of the report of the Board of Auditors on the United Nations Fund for Population Activities, which appeared in document A/38/5/Add.7, recommended that the necessary concurrence be sought for the transfer of credits from one appropriation line to another before the operation was performed. For various reasons, including reasons of a practical nature, the Advisory Committee recommended that the administration should continue the procedure which it had followed so far, unless ACABQ decided otherwise.

24. Lastly, he said that the Advisory Committee had had an opportunity to exchange views with members of the Board of Auditors on the changes which the Board was proposing in the annex to the Financial Regulations of the United Nations. After considering the changes, the Advisory Committee had decided to support them. Nevertheless, with regard to the scope of the audit, the Board of Auditors was proposing the deletion of two sentences which, in the Advisory Committee's opinion, constituted an important part of the audit opinion; consequently, ACABQ had recommended that they be retained (A/38/433, para. 30). He trusted that the Board would have no objection to that recommendation of the Advisory Committee.

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

25. Mr. FORAN (Controller) said that document A/C.5/38/9 had been prepared in response to the request contained in resolution 37/13 for (1) a progress report on the status of the project on the issue of special postage stamps and (2) detailed information relating to the extent, rate of increase and composition of the deficit of the Organization as well of the status of voluntary contributions received from Member States to alleviate the financial emergency.

26. Document A/C.5/38/9/Corr.1 clarified the information on the deficit of UNIFIL presented in annex III of document A/C.5/38/9. As indicated in paragraph 10 of the latter, the Secretariat would issue an addendum updating the information on payments of assessed contributions to the regular budget as at 30 September 1983 in order to facilitate a comparison with collections for the same period given in the report of the previous year (A/C.5/37/15).

(Mr. Foran)

27. With regard to the issuance of postage stamps, as indicated in paragraphs 4 to 6 of the report, some 10.9 million stamps had been issued on 19 November 1982. At the end of March 1983, gross sales had amounted to \$1.9 million, yielding a net revenue of \$1.1 million. By the time the stamps were withdrawn from sale in November 1983, it was estimated that net revenue would be approximately \$1.2 million. That figure was considerably less than the estimate of \$2 million contained in the previous report. The lower result reflected the overall decline in stamp sales which the United Nations Postal Administration had experienced during the past year.

28. Part II of the report described the deficit of the Organization and the pattern of payments of Member States in 1983. As indicated in paragraph 8, a number of Member States had responded to the General Assembly's appeal and had forwarded their contributions more expeditiously than in the previous year. As a result, by 30 June 1983, 41 per cent of the current year's contributions had been paid, in contrast to only 29 per cent for the comparable period the previous year. That situation, combined with the additional advances to the Working Capital Fund and the funds resulting from the suspension of financial regulations 5.2(d), 4.3 and 4.4, had enabled the Organization to get through nine months of 1983 without having to borrow from other funds. In other words, the cash flow situation of the Organization had improved, thanks to the action taken by the General Assembly at its thirty-fifth and thirty-sixth sessions and to the more timely payments by a number of Member States, as requested by the General Assembly at its thirty-seventh session.

29. However, he pointed out that the situation might deteriorate in the remainder of 1983. Although the final figures for contributions received by 30 September 1983 would not be known until the following week, there were currently indications that payments would total only approximately 49 per cent of the 1983 contributions, a proportion which was virtually the same as the figure for 1982. In other words, while there had been an improvement in the timeliness of contributions during the first six months of 1983 as compared to 1982, the situation seemed to be levelling off and, unless a large number of payments were received within the next few days, the Organization would be in about the same position at the end of September as in 1982.

30. With regard to the short-term deficit of the Organization, paragraph 13 of the report indicated that it was projected to be \$326 million as at 31 December 1983. However, that figure included the UNIFIL deficit, which was calculated only to 18 July 1983. If the UNIFIL mandate was extended until the end of the year and if withholdings continued at the same rate, it was estimated that the short-term deficit would increase by an additional amount of approximately \$9 million and would total \$335 million, a rate of increase of approximately 12 per cent over the 1982 figure.

31. Part III of the report contained a summary of the suggestions and proposals put forward by Member States at the thirty-seventh session of the General Assembly.

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(Mr. Foran)

32. The action the General Assembly had already taken at its recent sessions to increase the Working Capital Fund and to retain the balances of appropriations for the 1980-1981 and 1982-1983 bienniums, together with the improvement in payments of contributions during the first six months of 1983, had improved the cash position of the Organization. Consequently, no further action was proposed for the time being. However, it would be necessary to continue to monitor the situation closely for the remainder of 1983 and in 1984 so as to provide the General Assembly with an opportunity at its thirty-ninth session to consider any further action that might be required as a result of that experience.

33. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that the Advisory Committee had reached the same conclusions as the Controller regarding item 111. Although the situation had improved, Member States should not become complacent in that regard; on the contrary, they should continue their efforts to ensure speedy payment of their assessed contributions.

34. With regard to further action, the Advisory Committee agreed with the Controller that the General Assembly would have an opportunity at its thirty-ninth session to look into the whole problem again and to decide whether further action was needed.

35. The Advisory Committee was also collecting information of a similar nature from the specialized agencies. The information would be included in the report on co-ordination to be issued later in the current session, which would examine the actions taken by those agencies to deal with problems of cash flow.

36. Accordingly, if the Fifth Committee decided to proceed with the consideration of item 111, it would have to postpone final decisions until it had received the report of the Advisory Committee.

ORGANIZATION OF WORK

37. The CHAIRMAN reminded members of the Committee that the list of speakers on agenda item 111 would be closed on Thursday, 29 September, and he asked delegations wishing to include their names in it to do so as soon as possible.

38. He also requested that delegations should submit a sufficient number of copies of speeches in order to facilitate the work of the support services.

The meeting rose at 11.35 a.m.