



SUMMARY RECORD OF THE 7th MEETING

Chairman: Mr. OKEYO (Kenya)

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

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The meeting was called to order at 10.25 a.m.

AGENDA ITEM 49: REVIEW OF THE EFFICIENCY OF THE ADMINISTRATIVE AND FINANCIAL FUNCTIONING OF THE UNITED NATIONS

AGENDA ITEM 114: PROGRAMME BUDGET FOR THE BIENNIUM 1988-1989 (A/43/16 (Part I) and Add.1, A/43/286 and Corr.1, A/43/651; A/C.5/43/1/Rev.1)

1. **Mr. AHTISAARI** (Under-Secretary-General for Administration and Management), introducing item 49, drew attention to the Secretary-General's second progress report on the implementation of resolution 41/213 (A/43/286). It was important to recall that the action taken by the Secretariat pursuant to that resolution had been taken during difficult times, when staff were uncertain of their future, when even essential posts remained unfilled, when some offices were undergoing significant structural changes, and when time and effort had to be devoted to ensuring the financial viability of the Organization. The Secretariat looked forward to a more secure future in which it could concentrate on the tasks at hand and pursue the reforms to which the Secretary-General had committed himself.
2. The Secretary-General had been guided in his reform programme not only by resolution 41/213 but by the findings of the Fifth Committee referred to in that resolution, by resolution 42/211, and by General Assembly resolutions on activities and organizational units mentioned in the report of the Group of High-level Intergovernmental Experts to Review the Efficiency of the Administrative and Financial Functioning of the United Nations ("Group of 18").
3. In the political sector, many reforms had now been completed. The Committee for Programme and Co-ordination had requested some clarifications - on, for instance, the new structure of the Office of the United Nations Commissioner for Namibia. The matter had been reviewed by the Council for Namibia; the Secretariat hoped that the arrangements were now satisfactory.
4. Reform in the economic and social sector had not proceeded so fast since, under paragraph 6 of resolution 42/211, the Secretary-General was required to take into account the reviews, studies and decisions entrusted to intergovernmental bodies. Discussions were now taking place on possible reforms, taking into account Economic and Social Council decision 1988/77 on the revitalization of the Council.
5. Many recommendations of the Group of 18 in the administrative area had been put into effect; others, particularly those relating to personnel management, depended upon the completion of other recommendations. That was especially true of recommendation 15, on post reductions. Priorities had had to be established among the many tasks proposed by the Group of 18 and approved by the General Assembly; a work programme had been drawn up with a view to putting as many as possible into effect before December 1989. It should also be noted that many recommendations in the administrative area required implementation on a continuous basis extending well beyond 1989. One of the most important related to the integration of Secretariat management systems. He would revert to that question later, when he

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presented a comprehensive report on administrative processes in the Department of Administration and Management.

6. The second progress report (A/43/286) and the revised estimates for the implementation of recommendation 15 (A/C.5/43/1/Rev.1) clearly indicated that the Secretary-General had understood the importance which Member States attached to the implementation of resolutions 41/123 and 42/211, and was committed to the reforms.

7. Turning specifically to the revised estimates, he remarked that a reduction in personnel in any institution, whether international or national, was a difficult and unsettling process. The recommendations by the Group of 18 affected an Organization with its own dynamic and culture; they also affected the careers and the morale of dedicated international civil servants. Both human beings and institutions, when subjected to surgical operations, were hurt, but the operations might be either life-saving or damaging. He trusted the former would be the case.

8. The Secretary-General's plans for post reductions had been drawn up after complex and serious analyses and consultations. The dominant objective had been to increase the efficiency and effectiveness of the Secretariat while limiting as far as possible the adverse effects of a staff cut on the Organization and its future. The Secretariat was now very anxious to mobilize the energies of all concerned for other tasks and other challenges.

9. One possible effect of the reduction in personnel which the Secretary-General had tried to avoid was an adverse impact on programmes. There was not an automatic link between a smaller Secretariat and a reduced role for the United Nations; efficiency and productivity could be improved in various parts of the Organization through technological innovations, improved management procedures, and the consolidation of programmes and units. Further progress towards effectiveness and efficiency was needed and could be made if reform and renewal were pursued with the full and active support of Member States, including compliance with their financial obligations. The design and delivery of some programmes might need to be improved, and a number of administrative and legislative processes needed to be rationalized. Once the retrenchment was over, however, all parties would be freer to pursue the changes that would demonstrate that the United Nations could effectively play its enhanced role.

10. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the report of the Advisory Committee contained in document A/43/651, said that the Secretary-General had set a target of 1,465 regular budget posts (486 Professional, 979 General Service and other) for possible abolition by 31 December 1989 in response to recommendation 15 of the Group of 18. One hundred and sixty-seven regular-budget posts had been excluded from the reduction exercise for reasons summarized in paragraphs 7 and 8 of the Advisory Committee's report; the treatment of regular budget and extrabudgetary posts at the Under-Secretary-General and Assistant Secretary-General levels was mentioned in paragraphs 10 and 11.

(Mr. Mselle)

11. Of the recommendations by the Group of 18, recommendation 15 had been one of the most thoroughly negotiated and debated, and the General Assembly had laid down a series of guidelines to be followed by the Secretary-General in implementing it. Although they attempted to address the concerns of various States and groups of States, the guidelines were unfortunately not definitive statements of what should and should not be done, or how. The General Assembly had assumed that the cuts called for had been arrived at in a pragmatic manner instead of being, as they were, arbitrary. The Group of 18 had never carried out a work-load analysis of the various departments and offices in the Secretariat; the Secretary-General had been asked to do so. The requirement that the Secretary-General should implement recommendation 15 with flexibility, in order to avoid negative impact on programmes and on the structure and composition of the Secretariat, left a good deal to be arrived at by the Secretary-General on the basis of his own judgement. Thus the Secretary-General's proposals for implementing the recommendation were bound to be interpreted differently by different Member States or groups of Member States.

12. The Secretary-General proposed a target 13.02 per cent reduction in an adjusted base of 11,255 regular-budget posts; if the calendar of conferences for 1990-1991 was not modified, however, he would recommend a target reduction of 12.1 per cent overall, reflecting a reduction under section 29 of 10 per cent instead of 14.1 per cent. After extensive examination and discussion of the Secretary-General's proposals, the Advisory Committee had concluded that, if the calendar of conferences from 1990 onwards was not modified, 100 of the 357 posts under section 29 originally proposed for elimination should be restored, bringing the target for reduction under that section to approximately 10.1 per cent. The Advisory Committee held that the 100 posts, apportioned between grades as indicated in paragraph 15 of its report, should be allocated to translation, interpretation of meetings, publishing, editorial control and official records, due regard being paid to the need for the proportionate treatment of language services.

13. In present circumstances, the Advisory Committee had been unable to recommend additional appropriations to cover the restoration of 100 posts under section 29. It had been informed that the biennial cost of those posts would be \$12,893,900, net of staff assessment. In paragraphs 15 to 19 of its report, it proposed a series of measures to accommodate the estimated gross cost of almost \$15 million, among them a compensatory adjustment of 50 posts from other parts of the Secretariat. He did not believe that that adjustment and the other measures outlined in paragraph 19 of the Advisory Committee's report ought to affect the regional commissions (other than the Economic Commission for Europe), in view of their special circumstances.

14. The persistent vacancy situation at four of the regional commissions and in some other units of the Secretariat had been a matter of concern to the Fifth Committee at the forty-second session. The Secretary-General had been requested to take measures to improve the situation; his report showed that some improvement had been made. The Advisory Committee was of the view that more up-to-date information should be provided during the current session. The organizational changes outlined in chapter III of the revised estimates (A/C.5/43/1/Rev.1) were difficult to

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evaluate in the absence of complete information on functional allocation and programmes. The Advisory Committee felt that the proposed programme budget for 1990-1991 should incorporate all the changes described in the various progress reports and revised estimates.

15. The Advisory Committee had accepted the proposal for an Evaluation and Management Advisory Services Division under section 28, as indicated in paragraphs 31 and 32 of its report. It had reserved its position on joint and common services at Nairobi pending a precise indication of how the findings of a review of such services would be implemented (para. 33).

16. In examining the revised estimates for the Department of Public Information (A/C.5/43/1/Rev.1, chap. IV), the Advisory Committee had refrained from duplicating the debate on public information activities which had been carried out in CPC and the Committee on Information. Having heard from the representatives of the Secretary-General, it would not object to the restoration of five D-1 posts in the manner indicated in paragraph 45 of its report. With regard to the new main organizational units in DPI, it questioned the rationale for the existence of the Bureau of Programme Operations and felt that there was some potential for duplication between the activities of the Division for Committee Liaison and Administrative Services and some other substantive units.

17. During its consideration of the revised estimates for DPI, the Advisory Committee had been given the results of a survey of public information activities conducted by other Secretariat departments. The survey had concluded that, for a number of reasons, it would not be feasible to consolidate those activities within DPI at present. Some of those activities were carried out in accordance with long-standing mandates; besides, DPI was being reorganized and could not assume more responsibilities before its new structure became fully operational. The Advisory Committee had accepted the findings of the survey, and welcomed the offer by the Secretariat to conduct another survey not later than 1992. It believed that DPI and other departments should co-operate to use public information resources to optimum effect, and it also called for more emphasis on training.

18. The Advisory Committee recommended acceptance of requests totalling \$476,500 under section I for the General Assembly, the Board of Auditors and the Office for Research and the Collection of Information. In paragraph 70 of its report, however, it called for an analysis of the distribution of external audit costs between the regular budget and extrabudgetary resources.

19. The Committee recommended that the Secretary-General's proposal to convert 253 temporary recurrent posts (actually 229 by the Advisory Committee's own finding) to permanent ones should be resubmitted in the context of the proposed programme budget for 1990-1991.

20. Turning to the second progress report of the Secretary-General on the implementation of General Assembly resolution 41/213 (A/43/286), he said that the Advisory Committee welcomed the development of a methodology for estimating the

(Mr. Mselle)

cost of recurrent publications, and looked forward to seeing it applied to publication proposals in the proposed programme budget for 1990-1991. It also awaited with interest the report on reforms of the system for the administration of justice in the Secretariat.

21. Regarding the programme budget implications of the recommendations made by CPC during the first part of its twenty-eighth session (A/43/16 (Part I)/Add.1), he pointed out that the Advisory Committee had arrived at its position on section 29 long before CPC. That the two Committees had reached more or less similar conclusions on the same section ought to be of assistance to the Fifth Committee in its discussion. The Advisory Committee disagreed, however, with the Secretary-General's statement that only \$8,143,500 in additional resources would be required under section 29. The correct amount was nearly \$13 million net, or about \$15 million gross. He had already described the Advisory Committee's proposals on how to deal with that expenditure. The Committee would report on the question again after receiving additional information from the Secretariat (see A/43/657, para. 18). Meanwhile, no action should be taken on the revised estimates given in the table following paragraph 30 of document A/C.5/43/1/Rev.1. The course of action recommended by the Advisory Committee should facilitate not only decision-making in the Fifth Committee but also the preparation of the first performance report for 1988-1989, thereby establishing a firm basis for the approval and administration of the revised appropriations for 1988-1989 and the preparation of the budget outline and proposed programme budget for 1990-1991.

22. Mr. MURRAY (Chairman of the Committee for Programme and Co-ordination) introduced those parts of that Committee's report (document A/43/16) which related to the items under consideration. Among its conclusions and recommendations in connection with document A/43/286, the Committee had endorsed the view of the Secretary-General that, for the process of reform to reach fruition, Member States must provide their full support, politically and financially, to the Organization and had noted that action relating to reform in the economic and social fields would need to take into full account the results of the in-depth study of the intergovernmental structure and functions in those fields. It had also emphasized that the restructuring exercise should avoid negative impact on programmes, particularly in relation to the implementation of recommendation 15 of the Group of High-level Intergovernmental Experts, while bearing in mind the necessity of securing the highest standards of efficiency, competence and integrity of the staff, with due regard to equitable geographical distribution.

23. Following consideration of the options proposed by the Secretary-General for reductions in conference-servicing posts at New York and Geneva, the Committee had recommended acceptance of a 10 per cent reduction in such posts, with further reductions to be made, when possible, in the process of implementation of General Assembly resolution 41/213 as a whole. It had also expressed its concern with respect to the situation in smaller offices and regional commissions and recalled that a decision on the consolidation and strengthening of support activities relating to Namibia should take full account of the opinion of the United Nations Council for Namibia.

(Mr. Murray)

24. Conclusions and recommendations relating to the Department of Public Information were contained in both parts (I and II) of the Committee's report and should be considered together. The Committee continued to harbour many reservations about the reorganization of the Department and recommended that its performance should be closely monitored and evaluated. Indeed, the entire restructuring exercise required further monitoring in order to ensure that the overall result was a more efficient and more effective Organization.

25. The CHAIRMAN invited the Chairman of the Advisory Committee on Administrative and Budgetary Questions to suggest how the Fifth Committee might proceed to deal with the items under consideration.

26. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that the report on revised estimates (A/C.5/43/1/Rev.1) was a complex document but could be addressed in a fundamentally simple manner. He would suggest that a general debate should be held, during which each delegation would have the opportunity to make separate statements, firstly on the Secretary-General's second progress report (A/43/286) and related issues, and secondly on the revised estimates, or to make a single combined statement if it so chose. The Committee might then hold a series of meetings to consider the revised estimates chapter by chapter, in conjunction with the relevant parts of the report of the Committee for Programme and Co-ordination (document A/43/16). Chapters I and IV would be likely to generate extensive discussion, and the meetings devoted to those chapters would take the place of the traditional first reading of budget sections. The remaining four chapters could be considered together, also in conjunction with the relevant portion of document A/43/16. By the time those meetings concluded, it was to be hoped that the Advisory Committee would have issued an addendum to document A/43/651, pursuant to the request contained in paragraph 18 of that document. Following the submission of that addendum, the Fifth Committee could then proceed to a decision, firstly on the revised estimates contained in the table following paragraph 30 of document A/C.5/43/1/Rev.1, as modified by the Advisory Committee if necessary, and secondly on other proposals emerging from both the general debate and the chapter-by-chapter consideration of documents A/C.5/43/1/Rev.1 and A/43/16. Such a procedure would provide a good basis for the consideration, at a later stage, of the performance report on the programme budget for the biennium 1988-1989 and the outline of the programme budget for the biennium 1990-1991.

27. Mr. MURRAY (Chairman of the Committee for Programme and Co-ordination) said that he considered the suggestions made by the Chairman of the Advisory Committee to constitute an adequate basis on which the Fifth Committee might proceed. He wished only to add that some delegations might opt to make no statement during the initial general debate and to suggest that a time-frame be established for each phase of the process.

28. Ms. ZHANG Xian (China) asked whether the fact that the Secretary-General had been requested to submit a report before 1 November 1988 and the Committee for Programme and Co-ordination had recommended that the General Assembly take no action before that report was issued would affect the Fifth Committee's deliberations.

29. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that he believed the Advisory Committee would be in a position to produce the addendum to its report in sufficient time to enable the Fifth Committee to take a final decision on the revised estimates. Paragraph 18 of the Advisory Committee's report should not be taken to imply in any way that the Fifth Committee must await submission of a further report by the Secretary-General.

30. Mr. OTHMAN (Jordan) said that he supported the proposals of the Chairman of the Advisory Committee, as well as the suggestion of the Chairman of CPC relating to a specific time-frame for the various phases of the discussion.

31. The CHAIRMAN said that he hoped to be in a position to announce a suitable time-frame at the Committee's next meeting.

AGENDA ITEM 113: FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS (A/42/5/Add.2, vol. II; A/43/5, vols. I, II and III, and Add.1-8, A/43/445 and 674)

32. Mr. CHANDERNAGOR (Chairman of the United Nations Board of Auditors) introduced the reports of the Board of Auditors on the audit of the accounts, for the year ended 31 December 1987, of organizations and programmes for which it had audit responsibilities. As recommended by the General Assembly, the reports included summaries of recommendations for corrective action to be taken by the organizations and programmes concerned, as well as comments on the implementation by their administrations of previous recommendations. The Board had also prepared a separate document (A/43/445) summarizing its principal findings and conclusions of common interest.

33. To prepare those reports, the Board's Audit Operations Committee had maintained a continuing dialogue over the past year with the administrations of the various audited organizations. The Board, through the Audit Operations Committee, had helped to maintain close co-operation between the various internal audit services of each organization or programme. Co-ordination and co-operation with the Joint Inspection Unit had also been ensured through the Panel of External Auditors.

34. He recalled that, in 1987, the Board had been unable to form an opinion on the accounts of UNICEF and had issued a disclaimer. Pursuant to General Assembly resolution 42/206, an expanded audit had since been undertaken of the 1986 UNICEF accounts and, following a reprocessing of those accounts by the UNICEF Administration, the Board had been able to issue an unqualified opinion. That opinion had been submitted to the Advisory Committee in April 1988. The Board's opinion on the 1987 UNICEF accounts was also unqualified, demonstrating the progress that had been made. However, some deficiencies had still been encountered at UNICEF in 1988 in the accounting of voluntary contributions. In some cases contributions had been recorded on the basis of incomplete pledges. Similar cases noted at the International Trade Centre were mentioned in the audit opinion on that organization.

(Mr. Chandernagor)

35. Although progress had also been made in respect of the UNDP and UNFPA accounts, the Board was still unable to issue an unqualified opinion on them. For expenditures in connection with programmes implemented by executing agencies or Governments, the Board must rely on the opinion of external auditors. Although the Panel of External Auditors had agreed to speed the process as far as possible, the Board had received the necessary clearances for only two thirds of the relevant programme expenditures. The executing agencies themselves would also need to co-operate, particularly in 1989, since in the past there had been no audit of UNDP and UNFPA expenditures at the end of the first year of the biennium in several of the main agencies. The Board was also concerned by the lack of proper accounting and auditing for projects executed directly by recipient Governments or by non-governmental organizations, which constituted an increasing proportion of overall programme expenditures.

36. In the case of all the organizations studied, accounting policy failed to give a correct picture of each year's expenditures because of questionable accounting of unliquidated obligations leading to important accounting distortions. The Board had therefore issued two recommendations. First, that at UNDP and UNFPA the financial regulations should be brought into line with generally accepted accounting principles in that regard as well as with United Nations financial regulation 4.3. Second, in the case of the United Nations itself, that the delivery principle, which was the practice generally followed by governmental organizations, should be applied strictly and consistently. For budgetary reasons, ACABQ did not fully support the Board's stand on that matter. Although the Board understood the necessity from a budgetary point of view of raising obligations as soon as orders were placed and commitments entered into, it felt that that did not preclude the adoption of the proper accounting method.

37. In regard to budgets, the Board had four main concerns. First, it felt that budgetary discipline should be more strictly enforced. In most of the organizations considered, actual expenditures in various units had exceeded the allotment limits of their own budget sections, in contradiction to their own financial rules and regulations. Operating expenses had tended to increase, particularly at UNDP and UNFPA, where they represented a growing proportion of overall expenditures. The Board had also found several instances of questionable redeployment of budgetary funds, for example, from field offices to headquarters. A pattern of budgetary appropriations that was more detailed at the approval stage and less flexible at the management level would lead to better control of budgetary policies. The Board had also encountered many cases where expenses of an administrative nature had been charged to, and accounted for as, project expenditures without proper legislative authority. Similarly, the limits of authorized staffing tables had been bypassed, either by a questionable use of temporary assistance or the charging of additional posts to projects or to overheads. Cases of such questionable budgetary management had been found in the United Nations itself, at UNDP, UNFPA, the United Nations Habitat and Human Settlements Foundation, UNRWA and UNEP. Practices of that kind improperly increased programme expenditure and at UNDP and UNFPA generated the undue payment of programme support costs to executing agencies and impaired the reliability of

(Mr. Chandernagor)

the administrative expenditure figures given in the financial statements. Administrations should enforce stricter budgetary discipline, exert downward pressure on operating expenses wherever necessary, and discontinue practices of supplementing their personnel and financial resources by questionable means.

38. The Board had reviewed the performance of the out-stationed offices of a number of United Nations organizations. In several cases, the level of operational activities had been found to be very low and there was room for improvement in the management of many UNDP field offices. With regard to operational activities, the Board had noted a number of deficiencies. In several instances, the delivery and distribution of food aid by UNHCR had not been efficiently managed, resulting in less effective relief action and financial losses. The revenue-producing activities of the United Nations Postal Administration had also been impaired by management weaknesses. In the case of peace-keeping activities, inventories had not been properly maintained. At UNDP and UNFPA, the great number of ongoing projects tended to exceed the implementation capacities of the organizations, resulting in poor performance in many of the cases reviewed. The Board had also found that many projects creating or supporting local or regional institutions tended to perpetuate themselves while little progress was made towards self-reliance. Finally, the Board had encountered many cases of questionable management of trust funds. The very high liquidity positions of UNCDF and UNSO resulted from abnormal delays in, and insufficient monitoring of, project execution. The financial management of United Nations trust funds had also been found defective in several instances.

39. In addition to those main conclusions the reports submitted to the General Assembly also stressed the need for further improvements in programme performance reporting, cash management, the use of consultants, payroll, staff costs and personnel issues.

40. In resolution 42/206, the General Assembly had requested the Board of Auditors to initiate a study on standardization of the presentation and format of financial statements of all audited organizations and programmes and to report thereon to the General Assembly at the current session. After considering the subject, the Board had agreed to recommend that the study should be entrusted to a task force to be established among the organizations themselves, which were ultimately responsible for the financial reporting. Representatives of the Board would be available for consultation.

41. In conclusion, he conveyed the Board's appreciation of the continued support and co-operation provided by the Secretary-General and the heads of the various audited organizations and their staffs. He also expressed the Board's gratitude to the Advisory Committee on Administrative and Budgetary Questions for the useful discussions it had held with the Board on the reports.

42. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the Advisory Committee's report on the financial reports and audited financial statements and reports of the Board of Auditors (A/43/674),

(Mr. Mselle)

said that a correction should be made in the last sentence of paragraph 5, where the phrase "in consultation with the Administration's concern" should be deleted.

43. He noted that the Advisory Committee, rather than comment on each of the Board's recommendations, had singled out a number for special emphasis. As the Chairman of the Board had indicated, the Committee had adopted a slightly different approach from the Board to the question of the raising and recording of unliquidated obligations. The related comments of the Advisory Committee, in paragraphs 8 to 10 of the report, applied also to the observations of the Board of Auditors on UNDP, as noted in paragraph 31 of the report. The Advisory Committee's views on the same matter in regard to UNFPA were contained in paragraph 39, and in respect of UNHCR in paragraph 56.

44. The Advisory Committee had considered two reports from the Board of Auditors on UNICEF. The first was the Board's report on the accounts of UNICEF for the year ended 31 December 1987, on which the Committee had no comments although it welcomed the Board's recommendations and commended the attitude adopted by the UNICEF Administration. The second was the report on the expanded audit of the financial report and accounts of UNICEF for the year ended 31 December 1986. The Advisory Committee's comments in that connection were contained in paragraphs 47 to 49. The Committee had noted with satisfaction that the problems raised by the Board in its report to the previous session of the General Assembly had been re-examined and that the Board had been able to render a clean opinion on the UNICEF accounts for 1986. Note was taken of the co-operative position adopted by UNICEF. There remained one difference of opinion between the Board of Auditors, the Advisory Committee and UNICEF, on the question of temporary allocations by UNICEF from general resources to supplementary-funded projects. In paragraph 48, the Advisory Committee recommended that the UNICEF Administration should clarify the matter and seek the guidance of its Executive Board at its 1989 session in the context of the Executive Director's forthcoming report.

45. The Board's report on UNHCR had been of particular concern to the Advisory Committee. The management lapses identified by the Board were commented on briefly in paragraph 53 of the report. The Advisory Committee hoped that the UNHCR Administration would redouble its efforts to correct those weaknesses.

46. A small but important point was made in paragraph 60, in which the Advisory Committee expressed the belief that the action of the Administration of the United Nations Habitat and Human Settlements Foundation in regard to the series of appointments indicated was regrettable and should not be repeated.

47. The report of the Board of Auditors on UNFPA was covered by paragraphs 38 to 45 of the Advisory Committee's report. Paragraph 44 referred specifically to the use and management of consultancy services by UNFPA. The Advisory Committee did not consider the position of the UNFPA Administration in that regard correct and accordingly concurred fully with the Board's recommendation. In conclusion, he said that he stood ready to respond to any requests for additional clarification of the comments of the Advisory Committee as set out in its report.

48. Mr. VAHER (Canada) said that the reports of the Board of Auditors played a key role in enabling the Fifth Committee and the governing bodies of the organizations audited to promote sound financial management and effective programme delivery throughout the United Nations system, and thus to optimize the use of scarce resources. The Fifth Committee's discussion of them could serve to develop increased confidence in the operations of the United Nations and thereby develop increased support for the Organization's activities.

49. The Fifth Committee's review of the audit reports was not an end in itself but rather an important step in a process that started with the dialogue between the auditors and the administrations concerned during the audit and ended only when the administrations had taken appropriate action in response to the findings. Because of the relatively large number of reports, the generally late date of their receipt by Member States and the complexity of many of the issues raised, the Committee could realistically expect to deal only with the overriding and more general issues raised. Detailed discussion should be taken up by the various governing bodies and it would be useful if representatives of the Board of Auditors could be available to clarify the issues and respond to questions. His delegation would appreciate the views of the Board on the possibility and desirability of such a presence at meetings of governing bodies. There was an encouraging general trend for governing bodies of audited organizations to discuss the relevant reports at greater length. His delegation had been particularly pleased with the way in which the UNICEF Executive Board and the UNDP Governing Council had acted on the recent auditors' reports and the extensive discussions which had taken place.

50. His delegation was also pleased that the Board of Auditors had been encouraged by the Fifth Committee to extend the scope of their work into areas beyond the traditional financial statements. His delegation had supported and continued to support comprehensive audits emphasizing economy, efficiency and effectiveness. It was concerned, however, that the amount of information made it impossible for any delegation to give all of it the attention it deserved. Also, it was increasingly difficult to differentiate between observations that related strictly to the financial statements and those of a more operational nature. The Board of Auditors' current method of reporting should be reviewed therefore, with a view to streamlining it wherever possible. It might be possible to issue two separate reports for each administration, one including the financial statements and standard audit opinion thereon and the second focusing on operational issues. His delegation would welcome the Board's comments on such a proposal. It would also appreciate the Board's views on a more issue-oriented reporting format.

51. In recent years the Committee had received a significant number of qualified audit opinions, which suggested that the cause might lie in structural issues beyond the competence of any single organization to change. It would be unacceptable for qualified audits to become an integral part of the system. One such structural issue related to the unavailability of audit evidence in the case of biennial financial reporting by organizations whose costs were then incorporated, on an unaudited basis every second year, into the accounts of organizations that reported annually. Clarification from the Board of Auditors and the administrations concerned, namely UNDP and UNFPA, of how the matter could be resolved would be welcome.

(Mr. Vahe, Canada)

52. It was apparent from the Board's reports that there were weaknesses in the system of allotment control, a system which was essential to budgetary control. Such systems were internal control procedures and thus technically outside the Board's responsibilities, given which his delegation was dismayed at the extent of the deficiencies in the controls developed by managements and at the negative response of management to the auditors' recommendations. The requisite degree of flexibility should be built into the initial establishment of allotments, and any subsequent transfers between allotments should be properly authorized.

53. The issue of unliquidated obligations had been raised in many of the Board's reports. Administrations were overestimating, causing current-year expenditures to be overstated. It was fundamental for management to implement procedures that complied with generally accepted accounting principles.

54. There were a striking number of instances where administrations, in responding to the Board, had stated that procedures had been approved by the relevant governing body and had referred contentious issues to the Panel of External Auditors. Administrations should show more imagination and advance sound technical arguments rebutting the Auditors' assertions. Where administrations concurred with the Board's recommendations, specific proposals should be presented to the governing bodies concerned.

55. United Nations bodies did important work under very difficult circumstances. In emergencies, urgent calls were made upon them in the expectation of an immediate response free of bureaucratic troubles. Nevertheless, organizations could not bend or ignore rules or be exposed to irregularities. Standard financial procedures were designed to give confidence and protect the interests of organizations. If those procedures were too cumbersome then accelerated or simplified procedures that met the requirements of control, stringency and efficient operations should be devised.

56. Turning to UNICEF, he welcomed the clean audit opinion on the expanded audit of the 1986 financial statements, and the improved auditor/client relationship which had emerged. Nevertheless, the understatement of two balance sheet accounts by \$74.6 million and \$64.2 million respectively and the overstatement of income by \$9.9 million were serious matters of a kind that could create doubts about the accuracy, reliability and usefulness of financial statements. It was disturbing to learn that the errors had been caused by the failure of organizational units to meet their responsibilities for the processing of supplementary funds pledges, the absence of a consistent set of accounting procedures for supplementary funds income and the inadequate professional qualifications of those involved in the accounting process. Such deficiencies covered the most fundamental elements of a proper system of internal control. His delegation was pleased that the Administration had taken corrective action and urged UNICEF to continue its efforts to develop the necessary management information and control systems.

57. His delegation welcomed the significant improvements made to the financial statements and, in particular, the new statement of fund balance. The efforts of

(Mr. Vahe, Canada)

the UNICEF Administration to formulate clear criteria in respect of temporary allocations from general resources to projects funded from supplementary resources were commendable. Clarification of how it was intended to implement the concept of global affordability would be appreciated.

58. Commenting on the United Nations Development Programme, he said that for the second year in a row the Board had given a qualified audit opinion, a matter of special concern. Nevertheless, it was pleasing that there had been improvements during 1987. The basis of the audit qualification was once again the significant proportion of unaudited programme expenditures within total programme expenditures, owing to the late submission of audited accounts by executing agencies operating on a biennial cycle and to the general absence of audited accounts for government-executed projects. Removal of the qualification would only come about through a fundamental change in long-standing practices.

59. The Panel of External Auditors should continue to review the question of annual audit certification from all executing agencies. His delegation hoped that the strengthening of communications with the external auditors of executing agencies would be completed during the current year. Canada commended the Administration for developing new accounting and auditing guidelines for government-executed projects, and looked forward to reviewing those measures at the next session of the Governing Council.

60. At the forty-second session the Committee had been informed that insignificant adjustments had been required to UNDP's accounts upon receiving audited financial statements from executing agencies. It would be useful to know whether the Board shared the view that the required adjustments had, indeed, been insignificant. In that connection it was disappointing that the Board had not carried out the study on standardization recommended in General Assembly resolution 42/206.

61. The auditors had asserted that programme support or operating costs had been misclassified as programme expenditures, to which UNDP had responded that resident representatives used their own judgement in categorizing such costs. His delegation did not believe that such a determination should be left to individual resident representatives, and wished to know whether UNDP could develop objective guidelines to assist them.

62. With respect to the Board's comment that UNDP's procedures for recording unliquidated obligations on accounts payable were not in line with generally accepted accounting principles, his delegation sought reassurance from UNDP that the Panel of External Auditors would be presented with an argued and documented case rather than the cursory treatment it received in the current report.

63. The increase in UNDP's liquidity position for the fourth consecutive year to a figure of \$1,096.7 million in 1988 gave cause for concern. The steady accumulation of resources was unacceptable in a period of critical need for developing countries. The Board had noted that, despite higher IPF and expenditure targets, delivery had fallen in the least developed countries.

(Mr. Vaher, Canada)

64. The increasing share of administrative costs in total UNDP expenditure was a continuing concern. In 1987 operating costs had risen by 10.2 per cent, compared with only 1.6 per cent for programme delivery. UNDP's comments would be welcome.

65. The auditors' observations on the United Nations also indicated a lack of budgetary control, problems with unliquidated obligations and inadequate project management. The problem was one of appropriate enforcement mechanisms rather than a lack of adequate procedures. Existing financial regulations and rules should be strictly followed. In that connection his delegation noted that the Administration of the United Nations was generally quick to promise corrective action but somewhat slower in implementation. Clearly, the Board's recommendations had little value unless fully addressed with prompt remedial action, as called for in General Assembly resolution 42/206. Only thus would it be possible to maintain the credibility of the financial statements, the audit process and, ultimately, the Organization itself. Canada emphasized the importance of the Board of Auditors' role in proper management, and looked forward to the prompt implementation of its recommendations together with those made by ACABQ.

66. Mr. GARRIDO (Philippines) agreed with the representative of Canada that the control of allotments was a sensitive issue, which the Administration should take seriously, particularly given its connection with the problem of liquidity. He wished to know whether the Board of Auditors had reviewed the question of the disposal of United Nations equipment, in particular that procured for peace-keeping operations. Further, he inquired whether the Organization's unliquidated obligations were in respect of equipment alone or included any personnel items.

AGENDA ITEM 118: JOINT INSPECTION UNIT (continued) (A/42/540; A/43/16 (Part I), 34, 161, 397 and 556)

67. Mr. MARTOHADINEGORO (Chairman of the Joint Inspection Unit) said that the Unit welcomed the Committee's encouragement and advice. In particular JIU noted the preference expressed for quality over quantity and would try to identify the most widespread and urgent problems. The Unit would strive to improve its reports so that its recommendations were of a consistently high standard. He welcomed the suggestion that formal introduction of the Unit's reports contributed to clearer understanding and more careful consideration of the questions raised. With regard to the issuance of reports, scrupulous adherence to JIU's new guidelines, which provided for inclusion in the current programme of work of studies that could be completed within the year, would help. With respect to the length of reports, most had been within the 32-page limit, but it was not always easy to make reports both brief and simple.

68. Mr. GARRIDO (Philippines) said that it was useful to the Committee to have the reports of the Joint Inspection Unit and of the Board of Auditors presented in succession, given their complementary nature. Perhaps the practice could become standard at future sessions.

The meeting rose at 1 p.m.