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**FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND
REPORTS OF THE BOARD OF AUDITORS**

Report of the Fifth Committee

Rapporteur: Mrs. Flor Acconciamezza de RODRIGUEZ (Venezuela)

1. At its 3rd plenary meeting, on 23 September 1988, the General Assembly decided to include in the agenda of its forty-third session, and to allocate to the Fifth Committee, the item entitled:

"Financial reports and audited financial statements, and reports of the Board of Auditors:

"(a) United Nations;

"(b) United Nations Development Programme;

"(c) United Nations Children's Fund;

"(d) United Nations Relief and Works Agency for Palestine Refugees in the Near East;

"(e) United Nations Institute for Training and Research;

"(f) Voluntary funds administered by the United Nations High Commissioner for Refugees;

"(g) United Nations Environment Programme;

"(h) United Nations Population Fund;

"(i) United Nations Habitat and Human Settlements Foundation".

2. At its 7th to 10th, 12th to 14th, 27th and 28th meetings, on 12 to 14, 18, 20, 21 and 24 October, and 9 and 10 November 1988, the Fifth Committee considered the financial reports and audited financial statements for the period ended 31 December 1987 and reports and audit opinions of the Board of Auditors concerning the United Nations, including the International Trade Centre and the United Nations University, 1/ the United Nations Development Programme, 2/ the United Nations Children's Fund, 3/ the United Nations Relief and Works Agency for Palestine Refugees in the Near East, 4/ the United Nations Institute for Training and Research, 5/ the voluntary funds administered by the United Nations High Commissioner for Refugees, 6/ the United Nations Environment Programme, 7/ the United Nations Population Fund, 8/ the United Nations Habitat and Human Settlements Foundation 9/ and the related report of the Advisory Committee on Administrative and Budgetary Questions. 10/

3. The Committee also had before it a note by the Secretary-General transmitting a summary of the principal findings and conclusions for remedial action of the Board of Auditors (A/43/445).

4. The comments and observations made in the course of the discussion of the item and the replies to queries raised are reflected in the summary records of the Committee (A/C.5/43/SR.7-10, 12-14, 27 and 28).

5. At the 27th meeting, on 9 November, the representative of Canada, following informal consultations, introduced a draft resolution (A/C.5/43/L.4). He stated that operative paragraph 4 of the draft resolution was based on the understanding that paragraph 91 of the report of the Board of Auditors on the accounts of the

1/ Official Records of the General Assembly, Forty-third Session, Supplement No. 5 (A/43/5), vols. I, II and III).

2/ Ibid., Supplement No. 5A (A/43/5/Add.1).

3/ Ibid., Supplement No. 5B (A/43/5/Add.2) and Official Records of the General Assembly, Forty-second Session, Supplement No. 5A (A/42/5/Add.2), vol.II).

4/ Ibid., Supplement No. 5C (A/43/5/Add.3).

5/ Ibid., Supplement No. 5D (A/43/5/Add.4).

6/ Ibid., Supplement No. 5E (A/43/5/Add.5).

7/ Ibid., Supplement No. 5F (A/43/5/Add.6).

8/ Ibid., Supplement No. 5G (A/43/5/Add.7)

9/ Ibid., Supplement No. 5H (A/43/5/Add.8).

10/ A/43/674 and Corr. 1.

United Nations referred to a review of those aspects of the MULPOCs operations, in which the Board of Auditors had competence, and that the recommendation contained in the paragraph was not intended to prejudge the outcome of the evaluation.

6. At the 28th meeting, on 10 November 1988, the Committee adopted draft resolution A/C.5/43/L.4 without a vote.

7. At the same meeting, the United Nations Controller made a statement in clarification of his understanding of the fourth preambular paragraph of draft resolution A/C.5/43/L.4, which referred, inter alia, to the issuance of a qualified audit opinion on the financial statements of the United Nations. As far as the United Nations was concerned, the fourth preambular paragraph of the draft resolution referred to paragraphs 357 and 358 of the report of the Board of Auditors on the accounts of the United Nations, which concerned outstanding assessed contributions. The Board's opinion on the financial statements of the United Nations was therefore subject only to the ultimate realization of those assets.

RECOMMENDATION OF THE FIFTH COMMITTEE

8. The Fifth Committee recommends to the General Assembly the adoption of the following draft resolution:

Financial reports and audited financial statements,
and reports of the Board of Auditors

The General Assembly,

Having considered the financial reports and audited financial statements of the United Nations, including the International Trade Centre and the United Nations University, for the biennium ended 31 December 1987, 11/ the United Nations Development Programme, 12/ the United Nations Children's Fund, 13/ the United Nations Relief and Works Agency for Palestine Refugees in the Near East, 14/ the United Nations Institute for Training and Research, 15/ the voluntary funds administered by the United Nations High Commissioner for

11/ Official Records of the General Assembly, Forty-third Session, Supplement No. 5 (A/43/5), vols. I, II and III.

12/ Ibid., Supplement No. 5A (A/43/5/Add.1).

13/ Ibid., Supplement No. 5B (A/43/5/Add.2).

14/ Ibid., Supplement No. 5C (A/43/5/Add.3).

15/ Ibid., Supplement No. 5D (A/43/5/Add.4).

Refugees, 16/ the Fund of the United Nations Environment Programme, 17/ and the United Nations Population Fund, 18/ all for the year ended 31 December 1987, and the United Nations Habitat and Human Settlements Foundation for the biennium ended 31 December 1987, 19/ and the audit opinions and reports of the Board of Auditors 20/ and the report of the Advisory Committee on Administrative and Budgetary Questions, 21/

Having also considered the Board's report on its expanded audit of the financial report and accounts of the United Nations Children's Fund for the year ended 31 December 1986, 22/

Recognizing the progress made in the implementation of General Assembly resolution 42/206 of 11 December 1987,

Noting with concern that the Board of Auditors, for the reasons stated in its reports, issued qualified audit opinions on the financial statements of the United Nations, the United Nations Development Programme and the United Nations Population Fund, and also issued qualified audit opinions on compliance with the Financial Regulations and legislative authority on the transactions of the United Nations Relief and Works Agency for Palestine Refugees in the Near East and the International Trade Centre,

Noting also with concern the delay in the issuance of the Board's reports at the forty-third session of the General Assembly,

Taking into consideration the views expressed by delegations, by the Board of Auditors, by the Advisory Committee on Administrative and Budgetary Questions and by representatives of the United Nations organizations and programmes during the debate in the Fifth Committee on this item, and the widely expressed support for measures to improve the efficiency, management, financial accountability and budgetary control of the United Nations organizations and programmes concerned,

16/ Ibid., Supplement No. 5E (A/43/5/Add.5).

17/ Ibid., Supplement No. 5F (A/43/5/Add.6).

18/ Ibid., Supplement No. 5G (A/43/5/Add.7).

19/ Ibid., Supplement No. 5H (A/43/5/Add.8).

20/ See A/43/445, annex.

21/ A/43/674 and Corr.1.

22/ Official Records of the General Assembly, Forty-second Session, Supplement No. 5B (A/42/5/Add.2), vol. II.

Recognizing that the qualifications on the certification of programme expenditures in the audit opinions on the United Nations Development Programme and the United Nations Population Fund accounts are technical in nature and require co-ordinated action by the administrations and governing bodies of the Programme and the Fund and the executing agencies concerned,

1. Accepts the financial reports and audited financial statements and the audit opinions and reports of the Board of Auditors regarding the aforementioned organizations;

2. Requests the governing bodies of the United Nations Development Programme, the United Nations Population Fund, the United Nations Relief and Works Agency for Palestine Refugees in the Near East and the International Trade Centre to require the executive heads concerned to take immediate steps within their competence to correct the situations or conditions that gave rise to the qualification of audit opinions of the Board of Auditors;

3. Urges the panel of external auditors, administrations, governing bodies of the executing agencies and other relevant parties concerned to solve the problem with regard to the certification of programme expenditures executed and reported by United Nations executing agencies in co-operation with the United Nations Development Programme as well as with the United Nations Population Fund;

4. Endorses the concurring observations and recommendations of the Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions as contained in their respective reports, duly taking into account the divergent views expressed in the Fifth Committee on the question of the Multinational Programming and Operational Centres and the Pan-African Documentation and Information System;

5. Requests the competent governing bodies to ensure that the executive heads concerned take necessary steps on a priority basis to implement the recommendations of the Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions as contained in their respective reports, and to report thereon to the General Assembly at its forty-fourth session;

6. Also requests the Secretary-General and the executive heads of United Nations organizations and programmes concerned to take without delay appropriate measures within their competence in light of the comments, observations and recommendations of the Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions, including those relating to financial reporting, budgetary controls, unliquidated obligations, cash management, trust funds, and hiring of consultants, experts and temporary assistance, and to report to the General Assembly at its forty-fourth session, through the governing bodies of these organizations and programmes;

7. Further requests the Secretary-General and the executive heads of United Nations organizations and programmes concerned to submit to the General Assembly at its forty-fourth session, through the Board of Auditors and the

Advisory Committee on Administrative and Budgetary Questions, specific measures taken to implement previous recommendations of the Board of Auditors, and also requests the Board and the Advisory Committee to evaluate the efficacy of those measures;

8. Recommends that all future reports of the Board of Auditors continue to include separate sections that summarize recommendations for corrective action to be taken by the organizations and programmes concerned, with an indication of relative urgency;

9. Further recommends that the Board of Auditors continue to submit to the General Assembly a concise document summarizing its principal findings, conclusions and recommendations of common interest, classified by audit area and, where appropriate, identifying the audited organization;

10. Requests the Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions to continue to cover in their reviews of the organizations and programmes, including peace-keeping operations, the areas relating to the efficiency and effectiveness of the financial procedures and controls, the accounting system and related administrative and management areas, in accordance with regulation 12.5 of the Financial Regulations of the United Nations, and to recommend measures, as appropriate, to strengthen financial and management controls;

11. Also requests the Board of Auditors to study the desirability and feasibility of conducting its reviews as stipulated in regulation 12.5 of the Financial Regulations of the United Nations in a more comprehensive manner and to report thereon to the General Assembly at its forty-fourth session;

12. Stresses the need to standardize the presentation and format of financial statements and accounting policies among United Nations organizations and programmes;

13. Requests the Secretary-General and the executive heads of United Nations organizations and programmes and other relevant entities, in consultation with the Board of Auditors, to explore the possibility of standardizing the presentation and format of financial statements and accounting policies of all audited organizations and programmes, taking into account previous relevant studies, and to report with proposals thereon to the General Assembly at its forty-fourth session;

14. Invites the administrations of the United Nations, the United Nations Development Programme and the United Nations Population Fund to review their accounting policy with respect to unliquidated obligations taking into account generally accepted accounting principles;

15. Requests the Secretary-General to reflect the results of the reorganization of the United Nations Postal Administration, as well as the status of implementation of the Board of Auditors' recommendations, in the proposed budget for the biennium 1990-1991;

16. Invites Governments that are represented on the governing bodies of organizations and programmes for which audited financial statements have been considered by the General Assembly to ensure that full consideration is given to the reports of the Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions and the comments made thereon by the Fifth Committee;

17. Encourages governing bodies of organizations and programmes to invite a representative of the Board of Auditors to be present at their meetings when considering the reports of the Board;

18. Underlines the importance of an effective internal audit function in the organizations and programmes reported on, and requests the Secretary-General and the executive heads of United Nations organizations and programmes concerned to ensure that their respective internal audit units carry out follow-up audit work to assess the corrective action taken by the administrations in response to the main recommendations of the Board of Auditors;

19. Requests the Board of Auditors and the concerned administrations to co-operate and ensure that all reports under this item are issued in time in accordance with existing rules.
