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New York

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Chairman: Mr. PIRSON (Belgium)

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

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The meeting was called to order at 10.35 a.m.

AGENDA ITEM 96: FINANCIAL REPORTS AND ACCOUNTS, AND REPORTS OF THE BOARD OF AUDITORS (A/34/5/Add.1-5 and 7, A/34/486; A/C.5/34/L.3) (continued)

- (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
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1. Mr. KULKARNI (India) said that his delegation was concerned by the shortcomings pointed out by the Board of Auditors in United Nations financial management. Given the current climate of the world economy, it was unlikely that there would be any significant growth in the United Nations budget, and that would mean, for the developing countries, the stagnation or cutting back of programmes of benefit to them. It was therefore essential for the developing countries that the Organization should put the finances available to the best possible use.

2. With regard to the misgivings expressed by the Board of Auditors concerning the validity of the recorded value of certain of the assets of UNDP, his delegation believed that the Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions had not given adequate attention to that important question, and it would like to obtain more details. His delegation considered, moreover, that the very serious strictures passed on UNICEF called for the adoption of immediate remedial measures, and it hoped that in future the recommendations made by the Board of Auditors and the General Assembly both to UNDP and to UNICEF would not be ignored.

3. His delegation drew the Committee's attention to the fact that a very small proportion of the investments made by organizations within the United Nations system went to the developing countries and reminded it of the General Assembly resolutions requesting the Secretary-General to increase investments by the United Nations Joint Staff Pension Fund in developing countries. One of the obstacles to the establishment of the new international economic order was, in fact, the concentration of investment in the developed countries, where, it had been found, over 50 per cent of such investments was being used to finance domestic consumption or for military budgets. His delegation felt that such a disparity in the treatment of developed countries and developing countries was not warranted and he therefore proposed that the Committee should recommend that United Nations organizations should increase their investments in developing countries.

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(Mr. Kulkarni, India)

4. With regard to the Canadian proposal, his delegation believed that each State should be allowed time to consider the matter carefully, and it therefore supported the Bangladesh proposal that it should be referred to the Board of Auditors and various experts and that consideration of it should be deferred until the thirty-fifth session of the General Assembly.

5. Mr. BRUCE (Canada) said that his delegation thanked all those representatives who had submitted preliminary views on the proposal submitted by Canada in document A/C.5/34/L.3. During the following week his delegation would submit a draft resolution embodying some of the suggestions which had been made, but it wished to stress that it would not press for a decision at the current session; its objective was to have the problem duly considered by all the parties concerned.

6. With regard to the reports of the Board of Auditors (A/34/5/Add.1-5 and 7), he said that the Board had commented that it was impossible to provide adequate internal audit coverage of such large and complex concerns as UNDP and UNFPA with existing organizational arrangements and resources. Accordingly, those organizations should put more emphasis on internal audit in order to ensure the efficient use of resources and provide adequate resources to that end, primarily through the redeployment of existing resources. Internal audit also left something to be desired in the case of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), and it was to be hoped that, with the Agency's site being stabilized at Vienna, the situation would improve. The Board of Auditors had commented that UNDP and UNICEF automated systems - computer programmes and data files - were not adequately protected, but that situation could apply to all users of the New York computer services. He urged fuller co-operation between the users and the computer services to ensure that effective control procedures were applied so that information from computer-based systems was well protected. It would be useful if the Secretary-General could inform the Committee at the current session of measures taken or contemplated with a view to achieving that goal.

7. The Board of Auditors had also reported that the allocations not spent by participating and executing agencies had amounted to \$1 billion as of 31 December 1978, an increase of \$350 million over the previous year. His delegation, like the Japanese delegation, looked forward to the explanations to be given by the Administration regarding the sizable lag between allocations and expenditures and regarding measures to ensure more efficient control over the use of those funds.

8. His delegation noted with satisfaction the progress made on the Integrated Systems Improvement Project (ISIP), with the successful completion of the initial stage of conceptual design. It also supported the recommendation of the Board of Auditors that the Administration should update its procurement procedures and its methods for the evaluation of bids and the selection of vendors. Since that question was particularly important and had recently been the subject of press articles, it was essential that the Secretary-General should furnish the Committee with detailed information in order to dispel recent misunderstandings and assure Member States that potential suppliers would be treated fairly.

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(Mr. Bruce, Canada)

9. Lastly, his delegation, together with other delegations, urged speedy implementation of the two recommendations made the previous year concerning the strengthening of the Controller's mandate and the establishment of the systems group; those recommendations were of particular importance because, as the Board of Auditors had stated, no significant progress could be made in improving the financial management and control systems of the United Nations until they had been implemented.

10. Mr. SEKYI (Ghana) said that his delegation noted with regret that the two recommendations mentioned in paragraph 7 of the Advisory Committee's report (A/34/486) had not yet been implemented and that the United Nations Secretariat had still not worked out the modalities for their implementation. Under paragraph 5 of General Assembly resolution 33/10, the Committee should have before it a report by the Secretary-General on that subject; his delegation therefore asked the Under-Secretary-General for Administration, Finance and Management and the Assistant Secretary-General for Financial Services where that report was. His delegation emphasized that the responsibility for problems relating both to financial management and documentation and the responsibility for overseeing the implementation of many recommendations of the Board of Auditors lay, to a large extent, with the administrative and financial services of the Organization.

11. With regard to the document submitted by Canada (A/C.5/34/L.3), his delegation supported the Canadian representative's proposal that it should be submitted for detailed study by Member States and some specialized bodies. It proposed that the Advisory Committee on Administrative and Budgetary Questions should be requested to make thorough study of the role, organization and functioning of the Board of Auditors in the light of the recommendations contained in the Canadian document and the comments made in the Fifth Committee or transmitted in writing by Member States and to report to the Fifth Committee at the thirty-fifth or thirty-sixth session of the General Assembly. As the most competent body in that respect, the Board of Auditors should also be enabled to make its comments on possible measures to increase the efficiency of internal audit operations. However, as a preliminary observation, he pointed out that several countries had served on the Board of Auditors for extremely long periods, and that, in his opinion, showed the problem of continuity in a quite different light from paragraph 3 of document A/C.5/34/L.3. His delegation would submit its comments on that subject in writing at a later date, as a contribution to the proposed study.

12. Mr. SWEGER (Sweden) said that in general his delegation could support the recommendations put forward in the reports of the Board of Auditors (A/34/5/Add.1-5 and Add.7) and the relevant observations of the Advisory Committee on Administrative and Budgetary Questions. Sweden was one of the biggest contributors to UNDP, and had therefore studied with particular interest the report of the Board of Auditors on that organization. His delegation had noted that the audit had been carried out in a comprehensive manner and would therefore support the Board's recommendations, particularly those concerning the strengthening of the internal audit system of UNDP and UNFPA. His delegation was particularly interested in the successful implementation of the Integrated Systems Improvement Project (ISIP), the initial phase of which had partly been financed through a Swedish voluntary contribution.

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(Mr. Sweger, Sweden)

13. With regard to UNDP, his delegation had come to the conclusion that it would have been useful if the Auditors had submitted comments on such matters as financial planning and control mechanisms, ways of improving reporting to decision-making bodies, and management controls, including evaluation systems and electronic data processing systems. It hoped that observations on those particular matters could be included in future reports on UNDP.

14. He noted that at the UNDP Governing Council session in June 1979, the report of the Board of Auditors on the financial report and accounts of UNDP for the year ended 31 December 1978 had still not been available. The work of the Committee would be facilitated if the Board of Auditors could in future provide the Governing Council of UNDP with audit reports on the previous year at the Governing Council's annual session.

15. In conclusion, he thanked the Canadian delegation for its proposals for improving auditing operations in the United Nations. The proposal to appoint an Auditor-General of the United Nations was interesting and merited serious consideration by the Committee. However, as already mentioned by other delegations, the proposal raised important points that needed to be studied further. His delegation therefore favoured the adoption of a resolution on the lines suggested by the Canadian delegation itself.

16. Mr. DEBATIN (Under-Secretary-General for Administration, Finance and Management) thanked delegations for the frankness with which they had dealt with the issues in question. The discussion on the comments of the Board of Auditors had, as far as the United Nations was concerned, focused on the statement by the Board, as reproduced in paragraph 7 of the ACABQ report (A/34/486), to the effect that "no significant progress has been made by the Administration to improve financial management and control systems in the United Nations, inasmuch as the two 'key recommendations' made by the Board in its report to the General Assembly at its thirty-third session have not been implemented". He assured the Committee most categorically that the Administration had been in no way reluctant or hesitant about taking the necessary measures in the area of financial security and control.

17. Before replying to the questions put by delegations, he wished to place the statement by the Board of Auditors in proper perspective. The Board's report for the biennium 1976-1977 had contained 19 recommendations, which the Administration had accepted from the outset. Without entering into details, he considered that most, if not all, of those recommendations were aimed at improving the financial management of the Organization. As the Assistant Secretary-General for Financial Services would be reporting to the Committee, substantial progress had been achieved, since 17 of the 19 recommendations either had been fully implemented or were in the process of implementation. Of the two key recommendations by the Board, one concerned the establishment of a systems unit and the preparation of a comprehensive financial manual, and the other the strengthening of the role of the Controller to enable him to provide functional leadership, guidance and central direction on all financial functions.

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(Mr. Debatin)

18. It had to be admitted that the position with regard to the establishment of the systems unit might have been misunderstood because no one had yet been appointed to head the unit. It would be wrong to conclude, however, that nothing had been done to fill that important post. It would be recalled that, according to the assessment of the Auditors themselves, the post required a combination of highly technical expertise, qualifications and practical experience which was not easily found. He had himself interviewed a number of candidates, but the search for a suitable person had been arduous and time-consuming, and compliance with the procedures laid down in the Staff Regulations and Rules had added to the delay. Thanks to the efforts of all concerned, however, he expected a positive decision to be taken in the very near future.

19. The Board of Auditors itself had recognized that the Secretariat had neither the necessary expertise nor sufficient time to produce a financial manual. The Committee had accordingly approved funds for outside consultants to assist in that task. Nevertheless, the basic groundwork had been done, inasmuch as the Secretariat had begun to compile all the administrative directives and existing manuals dealing with financial matters. Once the systems unit was in place, one of its main tasks would be to continue that work.

20. With regard to the other key recommendations, on strengthening the role of the Controller, he said that, in his judgement, the recommendations of the Auditors related to the role or function of the Controller himself, since all officials entrusted with financial responsibility and certifying authority in fact acted in "controlling" capacities. The question therefore was at what level of the hierarchical structure below the Secretary-General lay the highest financial authority. That authority had so far been entrusted to the Under-Secretary-General for Administration and Management, a post which, in response to the recommendations of the Auditors to highlight the importance of the financial function, the Secretary-General had decided to redesignate as "Under-Secretary-General for Administration, Finance and Management". In order to dispel any misunderstanding, he wished to assert that that action, the sole purpose of which had been to underline the importance of the financial function and to make the line of authority flowing down from the Secretary-General more visible, had not added anything to the responsibilities previously assigned to the head of the department responsible for administration. To further strengthen the financial administration, the Secretary-General had appointed the successor to the post at the next level of the hierarchy, namely, the Assistant Secretary-General for Financial Services. It was with pride and great satisfaction that he saw Mr. Patricio Ruedas fill that post, as he had served for many years in the Office of Financial Services, including years in which that Office had been under his, Mr. Debatin's, responsibility.

21. The Administration did not deny its short-comings and was striving to correct them. There was always room for improvement because there was always a gap between the ideal and reality; however, the short-comings should be seen in relation to the positive results obtained. Furthermore, it was necessary, when making observations, to be realistic and, above all, to be precise in defining those weaknesses. In that context, he wished to point out that there was, at first sight,

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some difficulty in reconciling two contradictory positions, namely, that which sought to entrust increased financial responsibilities to the programme directors and particularly the unit chiefs, involving a diversification of financial responsibility, and the position which advocated centralized financial responsibility. That observation was not meant to cast doubts on one or the other concept but was simply intended as a realistic assessment of the existing situation and what could be expected from the present structure.

22. He hoped that his explanations would serve to clarify any doubts as to the intent of the organizational and administrative steps taken by the Secretary-General. In view of the financial hierarchical structure which had always existed and which should continue to exist, it was essential to identify clearly the line of the delegation of financial authority so as to ensure that there was no ambiguity in that respect. He was prepared to provide further clarification, should there be a need to do so, because he considered it vital that the Administration's position should be perfectly clarified and understood, and because it was essential, to ensure the effective functioning of the Administration, that there should be a climate of confidence, unobscured by doubts or misunderstandings.

23. Mr. RUEDAS (Assistant Secretary-General for Financial Services) said that the recommendations relating to budget preparation and review, performance reporting, allotment control and budgetary execution either had been or were in the process of being implemented. With regard to the preparation of the programme budget proposals for 1980-1981, the methodology used was that which had been approved by the General Assembly. As the Secretary-General had pointed out in document A/C.5/33/11, it had not been possible to implement immediately the measures proposed by the Board of Auditors regarding allotment control. However, much progress had been made in that area and the revised system of allotment control should be functioning fully by early 1980. Much remained to be done to ensure interaction between programme execution and the related financial reporting. However, as had been indicated in document A/C.5/34/3, progress had been made with regard, in particular, to the establishment of internal work programmes and procedures for reporting on programme implementation.

24. The recommendations pertaining to the central accounting system, payroll, offices away from Headquarters and interorganizational transactions had to a large extent been implemented. The Headquarters accounting system had been expanded to integrate the monthly financial reports received from offices away from Headquarters, thus providing an over-all status of allotments issued. Controls for the prevention, detection and correction of input errors had been further strengthened. Improvements in payroll control had been made. Progress had also been made in the receipt and recording of transactions of offices away from Headquarters.

25. The recommendation pertaining to controls over computer operations had been implemented by restricting access to the New York Computing Service and by the acquisition of secure storage space outside the Computing Service. Furthermore, the Computing Service had installed a computer security software package which would prevent unauthorized access and use of financial information.

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(Mr. Ruedas)

26. The Board of Auditors had recommended the development of an effective and reliable method of delegating, communicating and ensuring adherence to a comprehensive set of financial authorities. That concern had been taken into consideration in recent administrative directives and designations of certifying and approving officers. Verification of the certification and approval of transactions in the Accounts Division and the Treasury Division of the Office of Financial Services had been strengthened.

27. Constant attention had been given and was being given to strengthening internal control. Officers with financial responsibilities had been informed of the importance of maintaining effective internal control. The functions of the internal Audit Division, an integral part of the system of internal control, had been strengthened. Consultation between the internal Audit Division and the departmental representatives had permitted the drawing up of an audit programme which better reflected the concerns of departmental managers. The Division had also continued its efforts to train staff in modern audit methods.

28. The implementation of the recommendations pertaining to internal controls for purchased goods and services and expendable and non-expendable property was under way. As a result of the current audit observations, the Office of General Services was taking action to streamline existing procedures and was instituting cost-saving programmes. The recommendations which dealt with the issue of cheques, cash and short-term investments, and contributions had been or were in the process of being implemented. Procedures had been initiated for reporting by major offices away from Headquarters of cash and investments and of forecasts of income and expenditure. Some progress had been made in the design of an appropriate on-line computer system for the Treasury Division. However, a significant amount of work was still required before the system could be integrated with the accounting system because, regrettably, estimates of the time needed for implementation had proved too optimistic. A computerized cash management system had been established. The procedure for identifying, reporting and reconciling contributions was under way but still needed to be improved.

29. Having provided information on the current status of the implementation of the recommendations of the Board of Auditors, he wished only to add that a full report on the progress made in the implementation of those recommendations would be contained in the Secretary-General's report on the accounts for the biennium 1978-1979, which would be submitted to the General Assembly at its next session. He wished to emphasize that the Committee should not expect to be informed in 1980 that all the recommendations of the Board had been implemented, because such an announcement would imply a static view of the situation, whereas what was needed was a constantly dynamic process and the assumption that improvements could always be made.

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30. Mr. SEKYI (Ghana) reminded the Committee that he had asked a question regarding the report which was to be submitted in implementation of General Assembly resolution 33/10 of 3 November 1978. He wondered whether the statements by the representatives of the Secretary-General had been made in pursuance of that resolution. If such was the case, it was most unusual to present a report at the end of the consideration of an agenda item. That said, gratitude should be expressed to the Under-Secretary-General for Administration, Finance and Management for having so clearly explained the hierarchical structure of administrative and management control. There had always been some confusion in that area, and it was never easy to know to which official a question on the matter should be addressed. It was comforting to discover that the Secretariat seemed better disposed to comply with the requests of members of the Fifth Committee, whether they concerned recommendations to be implemented or studies to be undertaken.

31. The CHAIRMAN read out paragraphs 4 and 5 of General Assembly resolution 33/10 in which the Secretary-General was specifically called upon to report to the General Assembly at its thirty-fourth session on the progress made in meeting the concerns expressed by the Board of Auditors in its report. He believed that the statements made by the representatives of the Secretary-General were in line with paragraph 5 of that resolution.

32. Mr. DEBATIN (Under-Secretary-General for Administration, Finance and Management) confirmed that the statements in question had been made in pursuance with paragraph 5 of that resolution. After serious consideration, and particularly in view of existing problems with respect to documentation, it had been decided that an oral statement would be better than a written report. A complete written report would, of course, be submitted to the General Assembly at the following session.

33. Mr. ABRASZEWSKI (Poland) reminded the Committee that he had asked a question at the previous meeting concerning the recruitment and performance evaluation of United Nations experts and consultants. He hoped that the Board of Auditors would give special attention to that question and, in particular, the manner in which the guidelines set by the General Assembly had been applied. He asked what the preliminary reactions of the Board of Auditors were to the proposals which he had made in his earlier statement.

34. Mr. TUNSALA (Zaire) said that it was regrettable that his delegation had received the reports of the Board of Auditors so late that it had not been able to study them carefully. His comments would therefore relate chiefly to the report of the Advisory Committee for Administrative and Budgetary Questions (A/34/486).

35. The Advisory Committee had found several short-comings: inadequate controls in the New York Computer Service (NYCS) data centre, weaknesses in standards and control procedures for the documentation, processing of protection of computer systems, inadequate interaction between NYCS and its users, and inadequate

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(Mr. Tunsala, Zaire)

protection of UNICEF computer programmes and data files. The Committee had also mentioned the magnitude of the task of NYCS, which made it difficult to establish effective standards and control procedures for the design, processing and protection of computer systems. In order to overcome those weaknesses, the Advisory Committee was proposing an increase in the staff of NYCS. His delegation believed that such a measure would have adverse financial implications for the budget of the Organization; it would be preferable to improve the competence of the staff by, for example, organizing training courses. Furthermore, an effort should be made to improve working conditions and to keep the staff informed of all the problems involved.

36. With regard to the working methods of the Board of Auditors, he was surprised to find no mention in its report of anomalies found during their auditing operations. He wondered whether that meant that all the accounts were in order. He asked whether the Board carried out its audit on the basis of accounts sent in to it by the various bodies or whether it visited their offices for the audit, and whether the Board merely endorsed the accounts submitted to it by a given financial officer of an organization. It was regrettable, in that connexion, that the Board had not attempted to standardize the presentation of its reports, a fact that made the task of members of the Committee even more complex. It seemed desirable to strengthen the Board, with particular emphasis on the principle of equitable representation.

37. He emphasized that if the United Nations was to achieve its objectives, it was not sufficient for all Member States to pay their contributions: those contributions also had to be well managed, and that presupposed competence, strict organization, and effective co-ordination with other departments and agencies. The payment of contributions was a real sacrifice for Member States, particularly the developing countries; it was therefore more necessary than ever to improve management and strengthen financial controls.

38. Mr. JASABE (Sierra Leone) said that the Board of Auditors had carried out its task satisfactorily, especially in view of all the difficulties involved in evaluating the utilization of resources. In the case of UNITAR and UNDP, the Board had noted an increased accumulation of non-convertible currencies. Even though UNITAR was actively seeking ways of using those resources more quickly, it might be worth while for both agencies to ask themselves why they had not been able so far to spend those funds more quickly.

39. In auditing the accounts of UNITAR, the Board of Auditors had also drawn attention to excessive cash balances and the consequent loss of investment opportunities. No real explanation had been given for that state of affairs. In view of the importance of UNITAR's activities for developing countries, it should intensify its efforts to ensure optimum utilization of its funds. It should provide training programmes for its staff and, in particular, increase its participation in university programmes in developing countries. Furthermore,

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(Mr. Jasabe, Sierra Leone)

every year UNITAR issued a number of publications which were the work of its staff or academic personnel; since most of them were sales publications, it was essential that effective control should be maintained over returns from those sales.

40. Over the years Sierra Leone had taken particular interest in the activities of UNDP. It was pleased to note that at the most recent session of the Governing Council, the Administrator had announced a number of measures aimed at ensuring optimum utilization of its resources. It looked forward with particular interest to improvements in the situation with regard to the cash counterpart contributions paid by Governments.

41. In view of the great diversity and decentralization of its operations, UNDP should undertake not only a continuous review of its programmes, with particular reference to its mandate, but should also take appropriate measures to prevent its funds from being mismanaged. The observations of the Board regarding the inadequacy of the internal audit system were disturbing, the more so since UNDP was required to audit the accounts of participating and executing agencies. The auditors had clearly seen the consequences of that state of affairs. It was to be hoped that in its next report the Board would state what steps had been taken with regard to those recommendations, particularly the need for constant review and analysis of the financial statements of participating and executing agencies.

42. The Board also mentioned lack of adequate control of computer operations. That was a serious problem which could endanger the very functioning of the system. Given the fact that all the short-comings had been pointed out, it was to be expected that the staff of the New York Computer Services would work out the means of correcting them.

43. The comments of the Board relating to excess cash balances in various agencies were also disturbing. It was not always easy to make precise forecasts in that area, but the practice of holding excessive amounts of cash was dangerous because it could lead to funds being diverted into unwarranted areas.

44. It was to be hoped that the United Nations Fund for Population Activities would take note of the observations made by the Board under the heading "Other matters" in its report, particularly with regard to the procurement system and inventory control.

45. The proposal submitted by the Canadian delegation raised questions of both procedure and substance. On the matters of procedure, various delegations had already made observations which should be well taken by the Canadian delegation. The substance of the proposal raised very important questions which should be carefully studied before the matter was taken up at future sessions.

46. Mr. ZIEHL (Director, Division of Finance, United Nations Development Programme), replying to questions and comments from the Board of Auditors and delegations, stressed the importance which the Administrator of UNDP attached to financial matters. Training programmes in modern financial management methods were regularly organized for headquarters and non-headquarters staff. UNDP had also carried out a series of studies on complex questions, which had been the subject of meetings with

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(Mr. Ziehl)

the executing agencies. In addition, within the framework of its participation in the work of the Consultative Committee on Administrative Questions, UNDP and CCAQ had recently had a seven-day meeting at UNDP headquarters on improving accounting methods throughout the system. Computerized financial systems would be introduced from January 1980.

47. With one exception, all the points raised with respect to internal auditing had been fully explained in the financial report of UNDP (A/34/5/Add.1). The Board of Auditors had observed in its report, in that same document, that they "had seen little evidence of action on the part of the Administration to increase the role, status or size of the internal audit function". However, in a 1977 circular the Administrator had instructed that the internal audit reports should be submitted to him through the Assistant Administrator and that the internal audit unit should contact him directly about any questions which it felt bound to bring to his attention. The staff of that unit would be increased from four to seven as from 1 January 1980. Recruitment was in progress, and one of the new members of the unit was already working for UNDP under a special arrangement.

48. New facts had emerged since UNDP had replied, in paragraph 48 of its report, to the Board's comments on the participating and executing agencies. The Board considered that monitoring of the financial statements and audit reports of the agencies was not operating on a timely basis, a view which could not be disputed. The statements for a given financial year were transmitted to UNDP in March of the following year at the earliest, and the audit reports reached it much later. However, as a general rule, the discrepancies found during the audit were very few in number and represented only insignificant amounts. For the financial year 1978 the only significant adjustment had been a reduction of \$87,745 under the heading of miscellaneous income for one agency. That discrepancy had, of course, been duly noted. A reduction of \$6,171 for government-executed projects had also been reported.

49. In order to expedite the procedures, the Governing Council of UNDP had asked the Administrator to review with the Panel of External Auditors the possibility of making the audit reports available before the Council session in June. The Panel was to meet from 24 to 26 October to consider that question, which had also been the subject of a meeting with all the executing agencies in September.

50. With regard to the protection and control of computer programmes and data files, which was a source of concern to the Board of Auditors, UNDP had immediately begun a study of that extremely complex subject and had offered its full co-operation. Since existing UNDP systems were based on batch processing and not on interactive terminals, the risks were relatively few. Further, the new systems which were to go into operation in January 1980 would be equipped with all the necessary control devices. Access to terminals and to data was carefully monitored and one staff member had been made responsible for it. Further, UNDP had asked the New York Computer Service, with which it was in close co-operation, to prepare a users' manual and to help it train its computer operations personnel. He was convinced that everything possible had been and would be done with regard to protection.

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51. The Board of Auditors and a number of delegations had expressed doubts as to the book value of certain assets, namely, holdings in non-convertible currencies. The Board urged that efforts to increase the utilization of those currencies should be continued and that efforts should be made, wherever possible, to transfer UNDP-held non-convertible currencies in exchange for usable currencies held by other United Nations organizations. He pointed out that the UNDP Governing Council considered that question in detail every year. Furthermore, the Administrator had entrusted the task of monitoring the utilization of holdings in non-convertible currencies to a special unit. The problem had also been discussed in detail at the meeting of all the executing agencies in New York in September. As a result of those efforts, the volume of those holdings would for the first time fall slightly, from \$45.9 million at the beginning of 1979 to \$41.2 million by the end of the year. However, the active co-operation of all concerned was necessary if the trend was to continue.

52. With regard to the collection of government contributions, there were two additions to be made to the information given in the UNDP report. First, the receivable amounts had fallen from \$47 million as at 31 December 1978 to \$25 million at 30 September 1979, 47.7 per cent of the latter figure being amounts outstanding since 1977. Secondly, with regard to the arrears of \$2.4 million in the cash counterpart contributions of governments, the Governing Council had authorized the Administrator to write off the arrears for 1972 and prior years and, with regard to the amounts due for 1973 and the following years, either to collect them or to charge them to the indicative planning figures of the Governments concerned.

53. On the subject of the monitoring of operating funds and bank accounts, he said that the analysis carried out by UNDP had established that the participating and executing agencies did not retain the income from unspent balances of funds advanced to them but credited the interest to UNDP. In its report the Board referred to the lack of guidelines for the allocation of such income. In fact, UNDP had a time-table for drawing up reports. It was true that there was no uniformity in accounting methods, but that was one specific objective of the study carried out by UNDP.

54. Still on the subject of income, doubts had also been expressed with regard to the reconciliation of the UNDP accounts with those of the agencies. In fact, the agencies performed that operation. However, the Division of Finance of UNDP had put forward four recommendations to the Administrator which would make such reconciliation unnecessary as a result of the computerization of accounting operations. That was expected to solve the problem, which had been a source of concern for 10 years. The use of a common data base would enable UNDP and the agencies to reconcile the accounts before the amounts were utilized.

55. The Board of Auditors had also commented on bank accounts. In paragraph 9 of its report it stated that in order to achieve more effective utilization of funds, monitoring procedures should be reviewed and documented. It added, without giving further details, that, as at 31 December 1978, certain balances had exceeded established levels by \$2.7 million. The actual situation was as follows: governments made payments to UNDP of counterpart contributions (in cash) and

(Mr. Ziehl)

cost-sharing contributions; they also paid field offices' costs. The payments were made in local currency which could not leave the country. If at the end of the year there was a substantial excess balance, it was mentioned in the accounts. In cases where replenishment of cash exceeded the normal amount, that fact should be placed on record; UNDP had changed its procedure in that respect in order to be aware of the reason for the excess cash requested. Of course, errors could occur in estimating expenditures, but that was not the most important problem. What was important was documentation. Almost without exception, the local currency accounts were not interest-bearing and were part of the banking system of the countries concerned. He had noted the proposal to invite all donors to make their payments in fully convertible currencies.

56. Referring to the question asked by the representative of India about investment in the developing countries and, in particular, the General Assembly's decision concerning the Pension Fund, he said that the issue was not within his competence. He pointed out, however, that UNDP did not make investments in the usual sense of the term. What it did was to make short-term investments yielding high interest until such time as funds had to be spent. Even if amounts in convertible currencies could be invested in the developing countries and subsequently withdrawn in hard currency, there was no assurance that those countries would benefit, since their capital markets would be adversely affected. UNDP had tried to increase its investments, particularly by participating in World Bank development loans and housing loans. The total amount involved had risen from \$17.3 million at the end of December 1978 to \$34.3 million at the end of March 1979.

57. With regard to the question of liquidity mentioned by the Canadian delegation, UNDP currently had a substantial surplus, which would, however, rapidly diminish, so that the greatest caution would be required at the end of 1981, bearing in mind the volume of liquidity demanded by the execution of some 600 projects, as against the current total of 400.

58. Finally, he complimented the financial staff of UNDP, without whose competence and dedication the Programme could not function effectively and could not have achieved the progress it had in financial matters.

59. Mr. CAVAGLIA (Comptroller, United Nations Children's Fund), commenting on the measures taken by UNICEF on the four points mentioned in the report of the Board of Auditors (A/34/5/Add.2), said that, with regard to the monitoring of programme vehicles, UNICEF acknowledged that in one particular instance vehicles had been used for military purposes by a Government; those vehicles had all been returned to UNICEF after its representative had intervened. A recent world conference had been held on the drafting of new procedures for agreements on loans of transport vehicles and UNICEF hoped that the ministries concerned would show a greater sense of responsibility in the use of those vehicles.

60. On the subject of experts and consultants, he pointed out that UNICEF had drawn up, together with the Board of Auditors, a document on the procedures to be followed in that sphere in conformity with the recommendations of the Board. With

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regard to computer operations, he said that UNICEF had acquired security resources enabling it to remedy the short-comings pointed out in the Board's report and had also taken security measures of its own.

61. In conclusion, he said that UNICEF had complied with the Board's recommendations regarding the Greeting Card Operation (A/34/5/Add.2, i.e. para. 19): it had introduced appropriate requisition forms, developed and applied monitoring procedures for deliveries of supplies and given consideration to including a termination clause in major contracts. All those measures would be described in greater detail by the Executive Director at the following session of the Executive Board of UNICEF.

62. The CHAIRMAN, referring to the suggestion made at the 9th meeting by the delegation of the Soviet Union concerning draft resolution A/C.5/34/L.5, said that he agreed that in paragraph 2 of the draft resolution the words "Takes note of" should be replaced by the words "Concurs with".

The meeting rose at 1 p.m.