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Chairman: Mr. TALIEH (Iran)

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

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The meeting was called to order at 3 p.m.

AGENDA ITEM 98: FINANCIAL REPORTS AND ACCOUNTS, AND REPORTS OF THE BOARD OF AUDITORS (A/32/7 and Add.1-5 and Add.7; A/32/145)

1. The CHAIRMAN suggested that, after the Chairman of the Board of Auditors had introduced the report of the Board of Auditors, the Committee should deal with the financial reports and accounts and the report of the Board of Auditors for each organization separately, but then submit one single consolidated resolution covering all organizations.
2. It was so decided.
3. Mr. MACDONELL (Chairman, United Nations Board of Auditors) said that in 1973 the General Assembly had asked ACABQ to examine the role, organization and functions of the Board of Auditors, and ACABQ had made the relevant recommendations to the Fifth Committee in September 1974. At its meeting in June 1975, the Board of Auditors had decided to examine ways of improving the established auditing procedures to ensure that they met the changing requirements of the United Nations system. At its meeting in June 1976, the Board of Auditors had decided to introduce some important changes to the existing system, and had informed the Fifth Committee to that effect at the thirty-first session. It therefore seemed appropriate to report on the progress made.
4. One of the principal reasons for making changes was to unify and integrate the programmes and operations of the Board of Auditors. System-based auditing was being introduced, and greater emphasis was being placed on communication with the Secretariat, the aim being to identify and correct short-comings. In that connexion, it was felt that recommendations made by the Board of Auditors and the corresponding views of the Secretariat should be submitted to ACABQ. It had also been decided to try to prepare an auditing manual for use at all duty stations.
5. With respect to the introduction of an integrated system, the first step had been to establish the Audit Operations Committee comprising the three external auditors and a Director General nominated by one of the countries represented on the Board of Auditors. Uniform auditing techniques were being introduced, including the use of computers and questionnaires, and training programmes for auditing teams had begun. In addition, the long-term process of improving liaison with internal auditing services had been set in motion. The Audit Operations Committee had begun work on a full-time basis and it was hoped that the Board of Auditors would thus be free to spend more time considering policies and plans at its annual meeting. The Board of Auditors was encouraged by the progress being made.
6. System-based auditing covered five areas, namely the organization of the financial function itself, the method of recording and processing transactions, the quality of the financial information produced by a given system for the use of management at all levels, including the legislative body, the appropriateness of

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the financial policies and practices in force, and the effect of the internal audit and monitoring function. Such auditing was therefore much broader than transaction auditing, and the report of the Board of Auditors should therefore prove more constructive. During the preceding year, system-based audits had been completed at Headquarters and at the United Nations Office at Geneva. The report on those audits had been reviewed in great detail with the Secretariat, and it should be emphasized that the Secretariat had been extremely co-operative. The report in question had been submitted to ACABQ in early August and would be considered jointly by ACABQ, the Board of Auditors and Secretariat officials at a meeting on Tuesday, 11 October.

7. The preparation of an auditing manual was a very difficult task, particularly in view of the limited resources available. Some progress had been made and the original deadline of 1978 had been retained, although it might be more realistic to expect a good draft of the manual to appear in 1979. Certain new procedures were currently being tested in the field. With respect to ensuring consistency in the form and content of financial reports, system-based auditing had been applied only in New York and Geneva, but efforts to achieve greater consistency were continuing. Change was never easy, and the process might take longer than expected.

8. Mr. ROWE (Director-General, Audit Operations Committee, United Nations Board of Auditors) said that the Board was pleased to note the trend towards improved disclosure in the accounting policies of the various organizations, since more comprehensive financial statements would give a better appreciation of the financial position of each agency. The Administrator of UNDP and the Executive Director of UNFPA had been able to incorporate their responses to the Board's audit observations in the financial reports for the current year, and the practice of responding immediately and in the same document was to be encouraged. The Board of Auditors had made a number of suggestions for the improvement of the presentation of financial statements, most notably at UNDP, UNHCR and UNICEF, and the Board was pleased to note that the administrations concerned had been able to incorporate most of those suggestions in the current statements. With respect to the disclosure of information, progress was being made and efforts to introduce further improvements would continue.

9. The Board's opinion on the financial statements of UNDP was subject to a number of observations which affected the fairness of the financial position as disclosed by those statements. Inconsistencies had been encountered in the recording of unliquidated obligations by executing agencies as a result of the differing financial rules of those agencies. The same observation had been made in previous years, and the Board noted that UNDP would endeavour to achieve greater uniformity in the future. The Board had also noted certain weaknesses in the control of bank transactions and UNDP had undertaken to improve the system. The Board had expressed concern that UNDP was not currently providing for repatriation grants payable in future years. UNDP had replied that the benefits to be derived from recording such a liability were outweighed by the cost of calculating the amount due. Nevertheless, the Board considered that the present method of recording repatriation expenditures only on a "pay-as-you-go" basis was an exception to the stated accounting policy of UNDP, which consisted of recognizing

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(Mr. Rowe)

an expenditure when a liability was incurred; the liability being built up should therefore be shown, at least as a note to the financial statement. In that connexion, it should be noted that the United Nations incurred similar liabilities which were shown in its financial statements. Since 1972, the Board of Auditors had been commenting and making recommendations in its reports on the difficulties encountered by UNDP in matching allocations for projects to resources available. It had been extremely difficult for UNDP to obtain accurate and timely information on projects under the control of executing agencies, and the Board was therefore pleased to note that UNDP had initiated an Integrated Systems Improvement Project which would help to improve financial management and control.

10. With respect to UNICEF and the Greeting Cards Operation, the Board had no particular observation to make which would affect the fairness of their financial position. It should be noted that the Board would cease to issue a separate report on the Greeting Cards Operation, which would in future be covered in UNICEF statements. The Board had recommended that the scope of internal auditing should be reviewed in order to incorporate an expanded coverage of Headquarters operations. The Board had also made a recommendation on the need to review controls to ensure that all authorized transactions were recorded in the accounting system. UNICEF had already taken corrective action in that respect.

11. With respect to UNRWA, the Board had been unable to visit Lebanon, where much of the Agency's costs were incurred, and it had therefore been obliged to repeat its observation concerning the restricted scope of its examination, which might affect the fairness of the stated financial position. The other comments of the Board concerning certain questionable payments were being followed up by the Office of Financial Services.

12. With respect to UNITAR, the Board's principal recommendation was that a memorandum of understanding be drawn up by UNITAR and the Office of Financial Services to clarify and set out the specific responsibilities of each in the financial activities of UNITAR. The Board's recommendation had been endorsed by the Advisory Committee.

13. The Board's opinion on the financial statements of UNHCR was without any particular observation which could affect the fairness of the stated financial position. However, it was encouraging to report that a number of the Board's recommendations had been endorsed by UNHCR. The Board had recommended that the duties and responsibilities of the Division of Administration and Management should be expanded (A/32/7/Add.5, chap. III, para. 14) and that financial control over assistance projects should be improved by entrusting the monitoring function to a unit independent of the Assistance Division. The latter recommendation had been endorsed by ACABQ. Finally, the Board had recommended that UNHCR should improve its financial control over project expenditures incurred in the field by instituting more stringent measures to assist the Director of Administration and Management in examining expenditures before project costs were settled with the executing agencies.

14. The Board's observations on the statements of UNFPA concerned mainly the inconsistencies in the recording of unliquidated obligations by agencies implementing UNFPA projects.

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(Mr. Rowe)

15. Some of the observations in the seven financial reports before the Committee reflected the early results of the transition from transaction-based auditing to system-based auditing. The unified system-based audit approach would be continued in the second year of the biennium in order to identify further weaknesses in internal control and encourage corrective actions.

16. Mr. SCHMIDT (Federal Republic of Germany), supported by Mr. NAUDY (France), asked whether Governments would be informed of the contents of the report on the system-based audit to be discussed by ACABQ, the Board of Auditors and the Secretariat the following week. He also asked whether any recommendations that might be contained in the report would be implemented before Governments had had an opportunity to consider them. Governments would be particularly interested in recommendations that might have financial implications. He suggested that the discussion of agenda item 98 should not be closed until the Committee had had an opportunity to consider the matter further.

17. Mr. CUNNINGHAM (United States of America) said that the latest report of the Board of Auditors reflected the implementation of a uniform systems-based audit approach which should promote consistency in financial and accounting principles and practices throughout the United Nations system. The audit function was extremely important, since it provided a measure of the integrity of the financial management of the United Nations. It made important additional information on the Organization's financial resources readily available to Member States and presented indications as to the cost-effectiveness of United Nations programmes. It also provided a useful way of evaluating programmes and management functions within the United Nations. The audit function was particularly important in the light of the Advisory Committee's opinion that the inadequacy of the data base in the Office of Financial Services was partly due to the short-comings in the United Nations accounting system (A/32/8, para. 7).

18. An annual external audit was essential to ensure that United Nations operations were conducted in accordance with the principles of sound financial management. As the resources available to the United Nations became more limited and demands for services grew, the external audit would become steadily more important. The external audit function could help to improve the management of United Nations programmes, and his delegation therefore urged the Board of Auditors, when conducting each programme audit, to devote more attention to management adequacy and efficiency.

19. Mr. EL-HOUDERI (Libyan Arab Jamahiriya) said that there were short-comings in the financial control procedures used by some agencies, with the result that it was not possible to determine responsibility for activities undertaken within given programmes. Some agencies also lacked internal monitoring committees. His delegation wished to emphasize the importance of evaluating internal auditing procedures and it supported the Advisory Committee's comments on the need to ensure greater competence in that field. With regard to UNDP, his delegation supported the recommendation of the Board of Auditors concerning the establishment of the supervisory controls necessary to ensure that prescribed procedures for bank transactions were followed (A/32/7/Add.1, chap. IV, para. 14 (c)).

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(Mr. El-Houderi, Libyan Arab Jamahiriya)

20. With respect to UNRWA, the Board of Auditors had reported that a staff member had received full salary and allowances for a period of six months without rendering any service to the Agency (A/32/7/Add.3, chap. III, para. 8). He wished to know why the staff member had not been asked to perform other functions during that six-month period. With respect to UNDP, the value of accumulated non-convertible currencies had been recorded at \$35.6 million (A/32/7/Add.1, chap. IV, para. 9). That total was open to question; in order to remove all doubt, the Fifth Committee should establish a board of inquiry to investigate the use of those funds. With respect to UNRWA, one reason given by the Administration for the late submission of the annual financial statements was that hired computer services had proved inadequate (A/32/7/Add.3, chap. III, para. 3). He wished to know what measures had been taken by UNRWA to prevent similar situations arising in future.

21. Mr. GARRIDO (Philippines) welcomed the inclusion of more critical comment in the report of the Board of Auditors. The new system-based audit was to be commended, since it would ensure sounder financial management and control.

22. Mr. SEKYEI (Ghana) requested further information on the report concerning the system-based audit to be discussed by ACABQ the following week. It was important that auditing practices in the United Nations system should be unified. Different agencies followed different financial rules and regulations, with the result that certain items in their financial statements were defined differently. With respect to the rate of exchange used to express in dollars those transactions which were conducted in currencies other than dollars, he asked why one agency established its own exchange rate instead of using established United Nations rates. With respect to UNRWA, he wished to know whether the rate of exchange used in such calculations was the same as that used in the United Nations system as a whole and, if not, why not. System-based auditing had not been extended to the entire United Nations system, and his delegation proposed that future reports by the Board of Auditors should contain a separate chapter on the measures taken by agencies to implement the recommendations of the Board of Auditors, particularly recommendations concerning financial practices of a questionable nature.

23. Mr. MACDONELL (Chairman, United Nations Board of Auditors), responding to the question about whether the results of the Board's first report on the comparative system-based examination dealing with Headquarters and the Geneva Office would be conveyed to the Fifth Committee, said that it was for the Advisory Committee to decide, after reviewing the report, what information would be submitted to the General Assembly. As to the comment that some of the Board's recommendations would, if implemented, involve extra costs, he wondered whether any significant decision would be made until the report had been reviewed by the Advisory Committee. Commenting on the United States representative's remark concerning what the Board might do to ensure the adequacy and efficiency of management action, he said that, although the Board was not limited by its mandate to considering financial matters, it was not required to consider improvements to the efficiency and economy of management. An efficient value-for-money study was a formidable task and the Board was not equipped to do more than report on matters that came within its purview within its regular activities.

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24. Mr. SEKYEI (Ghana) said that the organizational process just outlined by the Chairman of the Board of Auditors might result in a misapplication of funds. In addition, should the recommendations in the report involve financial outlays, the Committee was entitled to know about them. He therefore proposed that the item remain open until the Advisory Committee had had a chance to comment on the report.

25. Mr. ROWE (Director-General, Audit Operations Committee, United Nations Board of Auditors), replying to the question posed by the representative of Ghana concerning conversion rates, said that the Financial Rules and Regulations of UNRWA empowered the Commissioner-General, when converting other currencies into dollars, to choose between the rates used by Governments and the average free-market rates.

26. Mr. MSELLE (Chairman, Advisory Committee on Administrative and Budgetary Questions) said that the report of the Board of Auditors on systems auditing at Headquarters and at the Geneva Office, together with related comments of the Secretariat, had been submitted to the Advisory Committee in August. At its spring session with the Board, the latter had indicated that it would welcome another meeting with the Advisory Committee to exchange views on the report and on the related response of the administration. Accordingly, the Advisory Committee was to meet with the Board and with representatives of the Secretary-General the following week. After that meeting, the Advisory Committee would decide whether there were any matters in the report which required a decision of the Fifth Committee at the current session. In his view, that was the most appropriate method of handling the report. It was therefore not possible for him to indicate whether the report would indeed be submitted to the Fifth Committee. Such a decision should await the outcome of the forthcoming exchange of views between the Advisory Committee, the Board, and representatives of the Secretary-General.

(a) UNITED NATIONS DEVELOPMENT PROGRAMME (A/32/7/Add.1, A/32/145, paras. 3-6)

27. Mr. GARRIDO (Philippines) endorsed the report of the Board of Auditors (A/32/7/Add.1). However, his delegation would like the method of reporting unliquidated obligations to be clarified. Secondly, with regard to repatriation payments, his delegation did not recall that item having been separated from common staff costs in the past. It would like to know whether the item was applicable to staff that were not recruited outside Headquarters.

28. Mr. TERADA (Japan) said that his Government attached great importance to the United Nations Development Programme and wished to continue co-operating financially with it. It was pleased to note that there had been a surplus of income over expenditure of \$36 million at the end of 1976, and commended the Administrator on the improved financial situation. It hoped that the improvement would be maintained.

29. His delegation was concerned to see that the amount of accumulated non-convertible currencies had risen to \$35.6 million at the end of 1976. The Administrator should continue, in co-operation with Governments and specialized

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(Mr. Terada, Japan)

agencies, to seek a practical solution whereby such currencies could be better utilized. His delegation noted that, according to statement IV, some allocations of UNDP as an executing agency for its projects and for various trust funds had not been utilized during 1976 for reasons that had not been sufficiently explained. The Administrator should seek to make better use of the allocations.

30. Finally, since one of the main causes of the financial crisis in 1975 had been the lack of an effective financial information system, his delegation was pleased to know that an Integrated Systems Improvement Project had been initiated. In that connexion, the comments contained in paragraphs 30 and 31 of the report of the Board of Auditors were very pertinent.

31. Mr. CUNNINGHAM (United States of America) said his delegation had noted that the Board's report discussed mainly the question of financial accountability in UNDP but that it did not say much about the evaluation of the financial management system. He had noted the comments made by the Chairman of the Board concerning the limitations on conducting such work. He hoped that the Board of Auditors would provide the results of the review referred to in paragraph 4 of its report the following year.

32. His delegation, like the delegation of Japan, was concerned at the continued accumulation of non-convertible currencies. Arrangements must be made so that funds could be used for the purpose for which they had been provided. His delegation would support any reasonable proposal that would permit use of those funds. The Administrator's report on the use of non-convertible and non-usable currencies that was due in 1978 would presumably take account of the relevant decisions adopted by the Governing Council at its twenty-third and twenty-fourth sessions.

33. Finally, his delegation had noted from paragraph 20 of the Board's report that arrears of government contributions amounted to \$30.1 million as at 31 March 1977. Since such arrears restricted the ability of UNDP to engage in activities, he urged that they should be paid promptly.

34. Mr. PIRSON (Belgium) paid tribute to the Administrator for the vigorous efforts he had made to redress the financial situation of UNDP. Those efforts should continue, as should efforts to lower overhead costs. His delegation continued to be concerned at the proportion of funds used for administrative costs and programme support activities. It hoped that the Advisory Committee and the Board of Auditors would give their views on that problem in due course. He noted that the UNDP Governing Council had set up a special committee to consider the matter.

35. Mr. SADDLER (Director, Division of Finance, UNDP) responding to the question regarding unliquidated obligations, said that UNDP, like the Board of Auditors, wanted to achieve greater standardization in the definition, recording and treatment of unliquidated obligations. Since UNDP allowed executing agencies to follow their own financial regulations in the implementation of UNDP projects, there was a need for greater standardization of common terms in the financial regulations of the various agencies. UNDP would continue its efforts in that direction.

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36. Concerning the Board's comments on repatriation grants, UNDP was prepared to re-examine the idea of setting up a special reserve. The Administrator had been concerned because, although establishing the reserve would be a one-time charge against the Programme's resources, it would diminish the funds available for recipient countries. Absence of such a reserve had not created any difficulties so far. With regard to the comments regarding non-convertible currencies, the Administrator continued to make every effort to utilize such funds and several initiatives were currently under way, one of them being a meeting which was scheduled in the near future in Europe with several countries that contributed non-convertible currencies.

37. He thanked the representative of Japan for his kind words. With regard to the latter's statement that insufficient explanations had been given for the non-use of allocations, he said that that caused concern to the Administrator. One of the benefits of the Integrated Systems Improvement Project would be the light it could shed on how better to monitor and control UNDP project implementation. Commenting on the United States representative's remark, he pointed out that the review and evaluation of UNDP systems of financial management and control was a two-year exercise which had only started in September. The Administrator, like the Belgian representative, was concerned at the level of administrative expenses. In that connexion, he pointed out that the intergovernmental committee set up by the Governing Council would meet in 1978 to consider the question of agency overhead costs.

(b) UNITED NATIONS CHILDREN'S FUND (A/32/7/Add.2, A/32/145, paras. 7 and 8)

38. Mr. TERADA (Japan) said that his Government attached the utmost importance to the activities of UNICEF. Although his delegation was pleased to see from statement I that the Administration was taking the necessary steps to keep the Fund on a sound footing despite the drop in income in 1976, it hoped that the efforts to improve the financial management of the Fund would be continued and that account would be taken of the recommendations of the Board of Auditors, particularly those made in paragraphs 9 to 12, 14 and 17 of the Board's report (A/32/7/Add.2, chap. IV).

39. He expressed surprise to see from paragraph 2 of the notes to financial statements that 30 per cent of gross income of the Greeting Card Operation had gone for commissions, duties and taxes. The Administration should seek ways of lowering that rate. His delegation was also surprised to see from paragraph 9 of the report of the Board of Auditors that one national committee had retained a discount of 46 per cent of sales of cards in its country. The Administration should take the necessary steps to reach an agreement with the Committee in question, as recommended by the Board in paragraph 10.

40. Mr. GARRIDO (Philippines) endorsed the Board's report and welcomed the steps taken by the Executive Director to strengthen the management of the Fund. His delegation had no objection to the inclusion of the Greeting Card Operation in the over-all report. It supported UNICEF's role as "lead" agency in the preparations for the International Year of the Child and hoped that the General Assembly would

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(Mr. Garrido, Philippines)

have a meaningful discussion of the subject at its present session. His delegation would like to know the level of contributions pledged so far for the International Year of the Child.

41. Mr. SEKYEI (Ghana) expressed general satisfaction with the financial report of UNICEF and associated his delegation with the comments made by the representatives of the Philippines and Japan. However, his delegation was displeased with the findings in paragraph 25 of the Board's report (A/32/7/Add.2) which indicated that numerical sequence and other document controls were not adequate.

42. Mr. PIRSON (Belgium) associated his delegation with the comments made by the representative of Japan. His delegation had been surprised to see from paragraphs 8 and 9 that the situation with respect to the large discount retained by one national committee had continued unchanged since the previous year. In that connexion, he would welcome an elucidation of paragraph 9 of the Board's report on the Greeting Card Operation.

43. Mr. HEYWARD (Senior Deputy Executive Director, United Nations Children's Fund), referring to the remarks made by the representative of Japan, said that the growth of UNICEF operations necessitated a parallel growth in resources in hand at the end of each year in order to cover obligations during the following year. The UNICEF monitoring system was being further improved with a view to using resources to the fullest extent consistent with financial prudence. He took note of the remarks of the Japanese representative regarding financial control.

44. On the question of special contributions for the operational expenses of the International Year of the Child, he indicated that, of the \$4.2 million required for the period 1977-1979, \$1.5 million had already been received and a number of pledges had been made, subject to parliamentary approval. The question of resources would be considered by the General Assembly, which would have to decide whether the inflow of contributions was sufficient to warrant proceeding with preparations for the Year. UNICEF, for its part, was confident that the necessary contributions would be forthcoming.

45. With regard to the commission retained by one national committee on sales of UNICEF greeting cards, he stressed that the commission had to cover the expenses of distributing the cards through the mail or by other means. The normal commercial cost of such an operation was between 40 and 60 per cent of the sales price. UNICEF was generally able to do somewhat better than that because of the amount of work donated by volunteers. The national committees which assisted UNICEF served in a voluntary capacity and had a voice in determining the arrangements for the Greeting Card Operation in their countries. In 1976 the UNICEF Executive Board had considered a special report on relations with national committees which had led to the drafting of a new form of agreement between the Fund and national committees which many of the latter had signed.

46. For the first time the Board of Auditors had carried out a computer audit of UNICEF transactions in 1977. The Fund welcomed the introduction of that new procedure and acknowledged that there might have been some oversights in its

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(Mr. Heyward)

records, particularly with regard to amendments to entries in its accounting system. It did not, however, believe that there was any cause for alarm regarding the basic accuracy of its accounts.

- (c) UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST (A/32/7/Add.3, A/32/145, paras. 9-10)

47. Mr. SEKYI (Ghana) said that his delegation was aware that the civil war in Lebanon had necessitated the removal of UNRWA headquarters to Amman and Vienna. It sympathized with the Commissioner-General and his staff for the difficult and dangerous circumstances in which they had had to work, but did not believe that those circumstances provided any justification for paying a staff member for six months when the individual in question had not rendered any service to the Agency. In the view of his delegation, such expenditure was not nugatory, as it had been described in the report of the Board of Auditors.

48. He asked whether the Board of Auditors had been suspicious that payments in connexion with special leave with half pay were not being made to the right persons and, if so, whether that had been the reason why the payments had been continued for one year instead of six months, as originally intended. His delegation would also welcome clarification regarding the authority for payment of the special allowances referred to in paragraph 12 of the Board's report.

49. Mr. VAN WIJK (United Nations Relief and Works Agency for Palestine Refugees in the Near East) said that he took special note of the comments made by the representatives of Ghana and the Libyan Arab Jamahiriya, particularly since the former was Vice-Chairman of the Working Group on the Financing of UNRWA and the latter represented a Government which was an important contributor to the Agency.

50. UNRWA was an operational agency with quasi-governmental responsibilities in education and training, health and relief services. It employed some 120 international staff and more than 16,000 area staff members. The year 1976 had been one of the most difficult in the history of the Agency, owing to the situation in Lebanon which had disrupted its operational and administrative activities. The Agency had finally had to move its headquarters from Beirut to Amman and Vienna. During the same period, it had experienced the most serious financial crisis of its history. At the beginning of September 1976, the financial position had become so grave that the Commissioner-General had been forced to contemplate suspending the Agency's operations and discharging its staff. Only a last-minute contribution had eliminated the need for such drastic measures. He therefore appealed for understanding and indulgence in reviewing the financial accounts of the Agency. Errors in judgement had perhaps been committed but the Agency was receptive to the guidance of the Board of Auditors.

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(Mr. van Wijk, UNRWA)

51. With regard to the Auditors' comments on special leave with pay, (paras. 5-7), he indicated that all the staff members concerned had not been required either at the temporary headquarters in Amman or in Vienna. It was incorrect to state that the staff member would be terminated if acceptance of an offer of special leave with half pay had not been communicated to the Agency. The converse was, in fact, the case: the Agency had placed such a staff member on half pay unless he had specifically requested termination. The staff members referred to by the Auditors had not requested termination and had therefore, correctly been placed on special leave with half pay. A brief review of the payroll records would have shown that, of the 11 staff members concerned, 8 had collected their salaries and 3 had not. Any uncollected salaries were, of course, being held in the name of the staff member until collection was made.

52. He agreed that the heading "nugatory expenditure" used by the Board of Auditors to describe the special situation of one staff member was somewhat awkward. Following the recruitment of the staff member in question, civil disturbances in Lebanon had prevented him from reporting for duty. The Agency had been under a contractual obligation to put him on full payroll status beginning on the day he had been prepared to travel and, moreover, had had a moral obligation to do so since he had already resigned from his previous employment. The technical nature of the staff member's job had precluded his being of material use in any field office. In brief, the action taken by the Agency in the matter had been consistent with its own best interests and those of the staff member concerned.

53. As to the comments of the Board of Auditors regarding the payment of special allowances, he pointed out that Amman and Vienna could not be considered the duty stations of the Agency's staff members temporarily moved to those cities. Their official duty station was Beirut. For that reason, they did not receive post adjustment at the Vienna rate, which was much higher than the Beirut rate.

54. Mr. SEKYI (Ghana) said that he appreciated the predicament of UNRWA but that it was precisely because it was plagued by financial weakness that its accounts were of special concern to his delegation. The Fifth Committee should not mechanically consider the reports of the Board of Auditors and no one should think that serious financial short-comings would be passed over without comment.

(d) UNITED NATIONS INSTITUTE FOR TRAINING AND RESEARCH (A/32/7/Add.4, A/32/145, paras. 11-13)

55. Mr. CUNNINGHAM (United States of America) said that his delegation doubted whether the time reporting system recommended by the Board of Auditors, so that salary costs for individuals working simultaneously on several projects could be apportioned among them, would be cost-effective.

56. His delegation joined the Board of Auditors in endorsing the desire of the UNITAR Board of Trustees to link the project and budget estimates and develop guidelines for selecting priorities.

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(Mr. Cunningham, United States)

57. The implementation of the recommendations of the Board of Auditors for strengthening the accounting procedures of UNITAR would promote the maintenance of up-to-date accounting entries of the Institute's equities in both the General Fund and the Special-Purpose Grants Fund and of expenditure approvals. The Board's recommendations would also allow prompt adjustment of unliquidated obligations when payments were made.

58. His delegation also supported the Auditors' recommendation that a memorandum of understanding between UNITAR and the United Nations should be prepared defining their respective responsibilities with a view to improving financial control in the Institute. That recommendation had also been endorsed by the Advisory Committee.

59. His delegation regretted the increase in non-convertible contributions to UNITAR in 1976 and supported the efforts of the Institute to use those funds for activities within its statutory purposes and in accordance with the priorities approved by its Board of Trustees. It was important, however, that preferential treatment should not be accorded any particular country in seeking ways to use those immobilized assets.

60. Mr. GARRIDO (Philippines) said that he too welcomed the desire expressed by the UNITAR Board of Trustees to link project and budget estimates, as indicated in paragraph 8 of the Board's report.

61. Noting that the arrangements for the preparation and certification of the annual accounts of UNITAR made by the Controller of the United Nations were similar to those for UNDP, he asked whether the possibility of drawing up a memorandum of understanding between UNITAR and the United Nations was being pursued.

62. Lastly, he asked whether the meeting of countries that made contributions to UNDP in non-convertible currencies would have any bearing on the situation in UNITAR.

63. Mr. MICHEL (United Nations Institute for Training and Research) said that the UNITAR Board of Trustees had devoted a number of meetings at its sixteenth session to a consideration of the Institute's accounts and financial situation. The Board had decided to convene a special committee in early 1978 to make an in-depth study of the difficult financial situation of the Institute and make recommendations on, among other things, accounting procedures.

64. The memorandum of understanding to which the Board of Auditors had referred was already in effect. Steps had also been taken to put an end to the confusion between the assets of the General Fund and the Special-Purpose Grants Fund.

65. With regard to the auditors' comments on UNITAR budgetary procedures, he indicated that, while the UNITAR budget was in fact prepared on a project basis, projects were sometimes undertaken during the course of a budget period as special contributions were received from foundations, Governments and other donors.

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(Mr. Michel, UNITAR)

66. The UNITAR Administration and Board of Trustees agreed with the Advisory Committee that the time reporting system referred to by the auditors in paragraph 9 of their report would be expensive but they would nevertheless give consideration to that and other ideas for improving the Institute's accounting procedures.

67. There had been an increase in the level of contributions in non-convertible currencies in 1976. The Executive Director was making every effort to find ways of using such contributions and there were plans to hold a number of seminars and colloquia in countries which made contributions in non-convertible currencies. In using its non-convertible assets, UNITAR would of course respect the priorities set by its Board of Trustees. It was not likely that the meeting of contributors of non-convertible currencies to be held under UNDP auspices would be relevant to the UNITAR situation; UNITAR, unlike UNDP, received contributions in non-convertible currencies from a small number of countries.

68. Mr. ROWE (Director-General, Audit Operations Committee, United Nations Board of Auditors) pointed out that the Board's comments in paragraphs 8 and 9 of its report were intended only as suggestions and it was possible that there were other simpler and more practical ways of improving UNITAR accounting procedures.

(e) VOLUNTARY FUNDS ADMINISTERED BY THE UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES (A/32/7/Add.5, A/32/145, paras. 14 and 15)

69. Mr. CUNNINGHAM (United States of America) noted that the annual programme for 1976 of the High Commissioner for Refugees showed a surplus of \$3,504,000 and that there was a reserve of \$15,460,000 for special operations. He requested information regarding the High Commissioner's plans for utilizing those reserves.

70. His delegation endorsed the recommendation of the Board of Auditors that a separate, independent review should be made of the operation of the refugee programme, including a larger sampling of the financial practices and procedures of field units. It also endorsed the recommendation that an audit committee of senior executives should be established to assess the scope of the internal audit of the Office of the High Commissioner, review all audit reports and implement the recommendations of the auditors.

71. Finally, his delegation commended the Board of Auditors for its comprehensive analysis of the voluntary fund accounts administered by the High Commissioner for Refugees and for initiating a uniform systems-based audit approach to the review of the activities of that Office.

72. Mr. DAYAL (Office of the United Nations High Commissioner for Refugees) said that the surpluses referred to by the representative of the United States should be regarded more as balances, which had subsequently been programmed and used for the countries in whose behalf they had originally been received.

73. The recommendations of the Board of Auditors had been extremely helpful and action had already been taken on a number of them, including the establishment of the audit committee of senior executives.

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(f) UNITED NATIONS FUND FOR POPULATION ACTIVITIES (A/32/7/Add.7, A/32/145, paras. 16-18)

74. The CHAIRMAN, observing that there were no comments on the accounts of UNFPA, read out the text of a draft resolution under agenda item 98 which would be circulated in writing for consideration at the next meeting, together with the text of the additional operative paragraph that had been proposed by the representative of Ghana for inclusion in that draft resolution.

The meeting rose at 6 p.m.