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Chairman: Mr. Harry MORRIS (Liberia).

AGENDA ITEM 80

Implementation of the recommendations made by the Ad Hoc Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies: reports of the Secretary-General (A/6666 and Corr.1, A/6803, A/6853)

1. The CHAIRMAN observed that for its consideration of the item the Committee had before it a report of the Secretary-General (A/6803) on the action taken by the United Nations family of organizations to implement the recommendations of the Ad Hoc Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies and a report of the Advisory Committee on Administrative and Budgetary Questions (A/6853).

2. Mr. BANNIER (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that in paragraphs 7 and 8 of his report the Secretary-General dealt in general terms with the provisional conclusions reached concerning the inspection unit. In paragraphs 5, 6, 9, 10 and 11 he referred to the measures that had been taken or were under consideration concerning certain other recommendations. The annex to the report attempted to provide information on the recommendations which the organizations considered were already being implemented and on those whose implementation would, in their opinion, require a decision by their executive or legislative bodies, or by both.

3. As to the provisional conclusions on the inspection unit, the Advisory Committee described in its report the views expressed by the Administrative Committee on Co-ordination (ACC), the Advisory Committee's own earlier observations on a progress report submitted to it in June 1967, the conclusions reached at a joint meeting of the Committee for Programme and Co-ordination and ACC, and the action taken by the Economic and Social Council in its resolution 1280 (XLIII). Although there was some discrepancy between the recommendation of the Ad Hoc Committee of Experts and the agreement reached between the Committee for Programme and Co-ordination and ACC concerning the reporting procedures, the Council had

welcomed the unanimous conclusions of the two bodies; the Advisory Committee also wished to express its satisfaction on that point. It had noted with particular approval the arrangement whereby the reports of the inspectors would be placed before the executive boards, governing bodies or councils by the Directors-General or Secretaries-General. The Advisory Committee trusted that the organizations concerned would take such action as was needed to enable the joint inspection unit to begin work on 1 January 1968.

4. The information on the stage reached in implementing the other recommendations, which was contained in the annex to the Secretary-General's report, was, in the opinion of the Advisory Committee, less satisfactory. The annex appeared to indicate that many organizations considered that they were already applying a considerable number of recommendations in the manner envisaged by the Ad Hoc Committee of Experts. In view of the information given in the annex, the Advisory Committee wondered whether that method of condensed reporting did not tend to give an imprecise picture of the situation. It would have been better to provide a more elaborate description—one which indicated the actual situation in each agency on a given date and the measures still under consideration. The Advisory Committee therefore considered that the reports on the implementation of the recommendations should be far more explicit. It was aware that certain measures were still in their initial stages and that it would be difficult to submit a final report to the General Assembly until the legislative organs of the various agencies had taken final action. A clearer indication of the stage reached in the preparation for such action would, however, have been helpful.

5. At its annual meetings with representatives of the specialized agencies, the Advisory Committee had obtained more detailed information which indicated that the agencies were giving serious consideration to certain matters covered by the Ad Hoc Committee's recommendations, that proposals on some of those matters were being prepared for their governing bodies and that, in other cases, action had already been taken by the executive heads. There were cases in which the Advisory Committee had asked for clarification of the data given in the Secretary-General's report but had not received a satisfactory explanation. It understood that to adapt the rules and practices of the various agencies to the extent possible and desirable for implementation of all the Ad Hoc Committee's recommendations would take time and require a step-by-step approach.

6. The Advisory Committee therefore recommended (A/6853, para. 4) that the forthcoming report of the

Secretary-General should include a more detailed description of the relevant arrangements so as to give the Assembly a clearer picture of the scope and substance of the steps taken by individual organizations.

7. Mr. MIRZA (Pakistan) said that his delegation continued to favour a cautious approach to the implementation of the Ad Hoc Committee's recommendations, particularly those concerning the specialized agencies and the standardization of the methods and procedures of United Nations bodies. The progress made in applying some of the recommendations, including those relating to audit and inspection, was very encouraging. During the twenty-first session, at the 1133rd meeting of the Fifth Committee, his delegation had, however, urged the desirability of obtaining the views of the Board of Auditors on the inspection unit; and that aspect of the work was not dealt with in the two reports before the Committee. His delegation had also expressed the view that the rotation of auditors, as recommended by the Ad Hoc Committee, would weaken rather than strengthen the existing external controls. The Panel of External Auditors was, he believed, of the opinion that the procedure recommended would be fraught with danger. Other delegations had, moreover, raised further important points, including the drawing up of a statute defining the powers and functions of the inspection unit and its relationship with other bodies, such as the Board of Auditors and the Panel of External Auditors. His delegation had associated itself in principle with those observations concerning which also the Secretary-General's report expressed no views. The more importance was therefore to be attached to the Advisory Committee's suggestion that the Secretary-General's report was too condensed and did not provide satisfactory answers to the questions that had been raised by various delegations at the preceding session.

8. At that stage, his delegation had two suggestions to make concerning the annex to the Secretary-General's report (A/6803). The first was that the following text should be added to the remarks under item 19 of the annex:

"The Panel of External Auditors has expressed the belief that the making of observations on administrative and management matters, as proposed by the Ad Hoc Committee, may require extending the present scope of audit to include some degree of management or operational type auditing. In order to do this, the auditor must make a complete study of the aims and objectives of the agency audited and evaluate the effectiveness of internal control procedures for improving and developing efficiency. It should therefore be recognized by the United Nations and the specialized agencies that expansion of the scope of audit on these lines would entail an increase in the cost of external audit."

His delegation also suggested that the following text should be added to the remarks under item 21 of the annex:

"The Panel of External Auditors has underlined the need to establish a relationship between the External Auditors and the inspectors for the purpose of agreeing on a definition of the methods,

procedures and manner in which each would carry out its function. This is important for avoiding overlapping or duplication."

9. Mr. GANEM (France) said that the Advisory Committee had expressed justifiable surprise at the unduly condensed nature of the Secretary-General's report on the implementation of the Ad Hoc Committee's recommendations, which the General Assembly had adopted unanimously by its resolution 2150 (XXI). No details were given of the discussions that had taken place in the major specialized agencies, although the practical implementation of the Ad Hoc Committee's recommendations was an important event. After many years of almost complete autonomy, the specialized agencies had agreed that eight inspectors should in future be empowered to give their administrative advice on certain internal problems with which they were faced—advice which might sometimes be insistent and with which they would, in most cases, have to comply. The executive heads of the specialized agencies were convinced that the new inspection unit would ensure better financial management of the administrations for which they were responsible.

10. Despite the competence of their budget departments and the devotion of their auditors, the specialized agencies were not always able to meet their financial commitments, which were increasing continually, as the total of their budgets, which amounted to some \$600 million in 1967, showed. The difference between the cost of establishing UNIDO in Vienna and the Secretary-General's original estimates was clear evidence of the usefulness of the inspection unit: if the unit had been in existence, a prompt investigation by it would have explained sooner and better than the Advisory Committee had been able to do why the appropriation was exceeded. It was encouraging to note that the members of the inspection unit would be appointed in the near future, and that the Secretary-General intended to submit a more extensive report on the implementation of the Ad Hoc Committee's recommendations.

11. Mr. MEYER PICON (Mexico) said that the second report of the Ad Hoc Committee of Experts^{1/} was one of the most important documents that had ever come before the Fifth Committee. The Ad Hoc Committee's recommendations would, in fact, if properly implemented, provide a means of restoring full flexibility and effectiveness in administrative matters to the Organization and, in particular, to the General Assembly.

12. He wished to make some comments on the question of the establishment of a joint inspection unit, which was the only recommendation to be treated in some detail in the Secretary-General's report. Although the Secretary-General himself recognized the importance of that recommendation in paragraph 7 of his report, it had been given insufficient emphasis, since in paragraphs 7 and 8 the Secretary-General merely listed, without analysing them, the various negotiations which had led up to an agreement. In addition, after stating that the changes introduced by ACC had been considered by the Committee for Programme and Co-ordination and the Advisory

^{1/} Official Records of the General Assembly, Twenty-first Session, Annexes, agenda item 80, document A/6343.

Committee, the Secretary-General added: "and both Committees pointed to certain aspects of the inspection scheme in which ACC appeared to depart somewhat from the original proposal of the Ad Hoc Committee". In his delegation's opinion, the suggestions of ACC did not depart merely "somewhat" from the Ad Hoc Committee's proposals, but substantially affected the operation of the inspection unit, its effectiveness and perhaps its very nature. That view was fully confirmed by the conclusions of the Committee for Programme and Co-ordination, as set out in paragraph 43 of its report to the Economic and Social Council, 2/ to the effect that some of the ACC suggestions would imply significant changes in the character of the inspection system proposed by the Ad Hoc Committee and approved by the General Assembly, and in particular would not safeguard the absolute independence of the inspection unit.

13. A comparison of the charges introduced by ACC with the original proposals revealed their true extent. First, as to the status of the inspectors, the freedom of action which the Ad Hoc Committee's plan had given them and the fact that they had not been forbidden to carry out other functions, except in the secretariats of the United Nations organizations, implied that they would not have the status of international civil servants and that their activities would not take up all their time. Under ACC's proposals, on the other hand, the inspectors became full-time international civil servants, bound by professional secrecy and also bound to observe the standards of conduct drawn up by the International Civil Service Advisory Board. As to the inspectors' independence, functions and powers, their mere possession of the status of international civil servants would considerably limit their independence vis-à-vis the very organizations they were asked to inspect. Moreover, ACC went on to say that the inspections should serve to assist executive heads of secretariats, that the inspectors would not have free access to all documents without the prior consent of the executive head of the organization concerned and, finally, that the inspectors would have the rank of director, which might lessen—in however minor a way—their independence vis-à-vis officials of higher rank. Lastly, the effectiveness of the joint inspection unit would depend on the quality of the inspectors' reports and the extent to which they were brought to the notice of member States; but it followed from what he had said that the changes introduced by ACC might be seriously prejudicial to the quality of those reports. As to the availability of the reports to member States, ACC, instead of allowing all member States to acquire at least a consolidated summary of the reports through the Economic and Social Council and the Advisory Committee, proposed that the reports should be sent to the executive heads of the various organizations; that it should be the agencies' governing or legislative organs which decided how they should be distributed; and that the report would be transmitted to the Economic and Social Council only if it dealt with questions of co-ordination.

14. While the compromise which had been reached by ACC and the Committee for Programme and Co-

ordination somewhat liberalized the procedure for transmitting the reports, it retained the fundamental changes which made the inspection unit completely different from the body proposed by the Ad Hoc Committee. Thus, it would no longer be a superior body responsible for supervising the expenditures of the United Nations and the specialized agencies by carrying out true on-the-spot audits without notice, but only another organ within the secretariats, consisting of full-time civil servants paid by the organization and of relatively secondary rank, a body without independence.

15. The Mexican Government had been one of the eight chosen by the President of the General Assembly to form the inspection unit; but since it believed that the conditions under which it had agreed to serve had been considerably changed, it had withdrawn the candidate it had nominated in March, a high official in its Ministry of Finance.

16. The Mexican delegation would give its views on the other recommendations of the Ad Hoc Committee when full reports on them were available to the Fifth Committee.

17. Mr. URABE (Japan) recalled that the Japanese delegation had actively participated in the work of the Ad Hoc Committee in the hope that that Committee would be able to formulate recommendations on the basis of which the United Nations, the specialized agencies and IAEA could better utilize available resources through the rationalization and better co-ordination of their various activities, which had grown considerably over the past decade, particularly in the economic and social spheres. Unless the United Nations family of organizations made judicious use of its resources, both financial and human, it would not be able to respond effectively to the urgent needs which were felt particularly in the economic and social fields. The Japanese delegation believed that the recommendations of the Ad Hoc Committee, which the General Assembly had unanimously approved at its twenty-first session, provided useful guide-lines for reconciling the growing needs of the United Nations organizations and the limited resources available to them.

18. He noted with satisfaction that progress was being made, though perhaps not as rapidly as had been hoped, in implementing the Ad Hoc Committee's recommendations. The efforts of the Secretary-General were praiseworthy; as stated in his foreword to the budget estimates for the financial year 1968 (A/6705), the Secretary-General had made several significant modifications in the form of the estimates as a first systematic step towards the long-term study recommended by the Ad Hoc Committee on the possible standardization of budget presentations. He had also noted with satisfaction that all clearly identifiable direct costs for staff, supplies and services related to revenue-producing activities now appeared in the appropriate income sections. That presentation gave a much clearer and more complete picture of revenue-producing activities, as he himself had suggested to the Committee more than six years before.

19. The Japanese delegation also noted with interest the action taken by the Secretary-General under Economic and Social Council resolution 1264 (XLIII).

2/ Official Records of the Economic and Social Council, Forty-third Session, Supplement No. 9A.

In particular, the Secretary-General had made a number of suggestions to the Committee on Housing, Building and Planning^{3/} as to the specific measures to be taken to give effect to the recommendations of the Ad Hoc Committee. It was to be hoped that not only the subsidiary bodies of the Economic and Social Council but also all other organs of the United Nations would soon be in a position to implement those recommendations.

20. As to the progress made by the specialized agencies, the general picture presented in the Secretary-General's report seemed very promising. He particularly welcomed the efforts of the Secretary-General and the executive heads of the specialized agencies to enable the joint inspection unit to begin its work on 1 January 1968. As the Secretary-General rightly pointed out in his report, the Ad Hoc Committee's proposal for the establishment of a joint inspection unit was the Committee's major innovation; and if the unit was given the functions and powers recommended by the Ad Hoc Committee, it would make a considerable contribution towards improving the financial management of the United Nations organizations and towards strengthening co-ordination between them.

21. His delegation noted with interest the Advisory Committee's comment in its report (A/6853, para. 7) regarding the need for specifying the responsibility of the unit to the General Assembly of the United Nations and to the legislative bodies of the other participating organizations. Although the inspectors would be administratively attached to the Secretary-General, his delegation believed it very important that the legislative bodies of the respective organizations should be kept directly informed of the activities of the unit and of the inspection programme and the results achieved, so that organs would be able to express their views on the matter and to request the unit to undertake inspections in specific matters or in specific services of the organizations. In that connexion, his delegation noted that according to the Advisory Committee's report to the Economic and Social Council^{4/} ACC seemed to place particular emphasis on the fact that the inspectors should perform their functions in such a manner as to be of assistance to the executive heads in the exercise of their constitutional responsibilities. His delegation, while recognizing the validity of that argument, wondered why so much emphasis was placed on it. It sincerely hoped that the functions and powers of the unit as envisaged by the Ad Hoc Committee would not be so limited that the inspectors would find it difficult to perform their duties meaningfully. It also hoped that the various organizations would co-operate in the work of the inspectors.

22. In his report the Secretary-General indicated that many of the recommendations were already being applied in the respective organizations. However, it was difficult to see the actual situation clearly because the report was somewhat too concise. Although his delegation was always in favour of limiting the volume of documentation, it nevertheless shared

the view of the Advisory Committee that the report was "too condensed to provide a reliable indication of either the consideration which individual agencies had given to the recommendations or of the manner in which they had resolved, or propose to resolve, the several questions" (A/6853, para. 4). It was of particular importance that the report should indicate clearly to what extent the specialized agencies were seriously examining the methods of implementing the recommendations, in view of their emphasis on the independence and different character of the respective organizations. His delegation hoped that the governing or legislative bodies of the agencies would take formal actions to implement the recommendations as far and as early as possible.

23. Mr. PALAMARCHUK (Union of Soviet Socialist Republics) said it was regrettable that the Secretary-General in his report had presented the replies of the specialized agencies in an excessively general and condensed form which did not give a complete idea of what the agencies had done to carry out the Ad Hoc Committee's recommendations. The report was nothing more than list of the organizations to which the recommendations had been transmitted, with some very brief comments. The Advisory Committee, it might be noted, had recommended "that a more detailed description of the relevant arrangements should be included in the Secretary-General's next report to the General Assembly, so as to give the Assembly a clear picture of the scope and substance of the steps taken by individual organizations" (*ibid.*).

24. The Ad Hoc Committee had done a considerable amount of work, studying all the financial problems of the United Nations and the specialized agencies and formulating recommendations which the General Assembly had unanimously endorsed. The point now, as the Advisory Committee had also emphasized, was to carry out those recommendations as soon as possible. It was more than time to apply the Ad Hoc Committee's recommendations, particularly that relating to the establishment of a joint inspection unit. As everyone knew, the Ad Hoc Committee had clearly defined the functions and the work programme of that unit so that it could be set up with all possible speed. However, the question of its establishment had been considered first by ACC, and then by other bodies. As was clear from the report of ACC to the Council,^{5/} ACC had actually endeavoured to revise the provisions already endorsed by the General Assembly with regard to the main tasks of the joint inspection unit. After careful consideration of the many changes proposed by ACC, the Soviet delegation was left with the very clear impression that that body had sought to limit the rights of the joint inspection unit, to make it less effective and to subordinate it to the executive heads of the agencies. His delegation accordingly wished to stress its view that ACC had exceeded its authority in its approach to the question and had acted quite unacceptably in changing decisions taken by the legislative bodies of United Nations organs. It considered that the Economic and Social Council had been right, at its forty-third session, to refrain from adopting the ACC proposals concerning the joint inspection unit, and to recommend that the

^{3/} Document E/C.6/84 (mimeographed).

^{4/} Official Records of the Economic and Social Council, Forty-third Session, Annexes, agenda item 19, document E/4401, para. 12.

^{5/} *Ibid.*, agenda item 17, document E/4337.

unit should begin its work on 1 January 1968. His delegation urged that the Ad Hoc Committee's recommendations should be carried out in the form in which they had been adopted by the General Assembly.

25. In his foreword to the budget estimates for the financial year 1968 (A/6705), the Secretary-General had referred to the Ad Hoc Committee's recommendations, in particular its recommendation that the budget estimates for 1968 should contain more information. The Soviet delegation welcomed the step taken by the Secretariat in that direction in connexion with section 3 (Salaries and wages) of the budget; however, the Ad Hoc Committee's recommendation was not confined to that section of the estimates alone. The Secretariat should show boldness and apply the recommendations as soon as possible.

26. Mr. TARDOS (Hungary), referring to the annex to the Secretary-General's report, said he was surprised that the report of the Ad Hoc Committee made no mention of the existing Panel of External Auditors of the United Nations and the specialized agencies, and would like to know when the Panel had been established, what its terms of reference were and to which bodies it reported.

27. Mr. TURNER (Controller) said it would perhaps have been appropriate for the Ad Hoc Committee to mention the Panel of External Auditors of the United Nations and the specialized agencies. The fact that it had not done so did not mean that it had been unaware of the existence of the Panel, it had borne the Panel in mind and the Panel had known the Ad Hoc Committee's attitude towards it when it had expressed its own views.

28. The Panel of External Auditors had been established by General Assembly resolution 347 (IV), of 24 November 1949, and its functions were at present regulated by the provisions of the annex to General Assembly resolutions 1438 (XIV), of 5 December 1959. The Panel held regular meetings and its members were appointed by the various organizations of the United Nations system. It could submit to the executive heads of organizations any observations or recommendations it might wish to make in relation to the accounts and financial procedures of the organizations concerned.

29. Mr. FIRAT (Turkey) said that after twenty years of existence the United Nations and the specialized agencies had found themselves confronted with administrative and financial problems urgently requiring solution; and the work done by the Ad Hoc Committee in that connexion was quite remarkable. The current year had seen a good start made on the implementation of most of the Ad Hoc Committee's recommendations, which especially in the matter of budget presentation and performance were not only very useful but also fairly easy to put into practice. So far as the joint inspection unit was concerned, his delegation, in the Economic and Social Council, had voted in favour of resolution 1280 (XLIII), under which the Council recommended the Secretary-General and the executive heads of the specialized agencies that

they take such measures as might be needed to enable the unit to begin work on 1 January 1968. It appeared from the annex of the Secretary-General's report that the various organizations concerned had reached agreement on the modalities for the establishment of the joint inspection unit, and it was to be hoped that they would be adopted without delay so that the new body might begin working in January 1968. As to the suggestion that one of the members of the unit should be designated to assume responsibility for certain organizational and liaison functions, his delegation agreed with the Advisory Committee that it would be more appropriate for the person concerned to be selected by the members of the unit than to be designated by the Secretary-General.

30. His delegation associated itself with the delegations which had regretted the brevity of the Secretary-General's report and it hoped that such reports would in the future be more comprehensive. It fully endorsed the conclusions of the Advisory Committee as set out in paragraphs 13, 14 and 15 of its report (A/6853).

31. Mr. BYKOV (Ukrainian Soviet Socialist Republic) said that the second stage had now been reached in the highly complex task of restoring order to the United Nations system, particularly in financial matters—in other words, the task of carrying out the recommendations of the Ad Hoc Committee. The Secretary-General's report did not give a sufficiently complete picture of how that task was being carried out; it merely indicated that a start had been made on applying the recommendations, without specifying either the reception they had received from or the practical action that had been taken by the various organizations. No information was given, for example, about the reaction of the specialized agencies to such highly important recommendations as those concerning long-term planning, co-ordination, budget presentation and reduction of the volume of documentation. A year had now passed, but the pace at which the Ad Hoc Committee's recommendations were being put into effect seemed extremely slow. The Fifth Committee should stress that more intensive efforts must be made and that the Secretariat should take more vigorous action, particularly in view of the fact that under General Assembly resolution 2150 (XXI) the Secretary-General was requested to take appropriate measures and indeed authorized to make specific proposals in the matter.

32. His delegation was furthermore deeply concerned over certain attempts which had been made to modify and even change the sense of the Ad Hoc Committee's recommendations, though the General Assembly had called for their implementation as speedily as possible. No organ had the authority to go back on the decisions of the General Assembly, and the Advisory Committee had been entirely right not to accept the proposals of ACC, which were ill-considered and must be vigorously combated. The stand taken by the Panel of External Auditors against the establishment of the joint inspection unit was also a matter of concern to his delegation. That was a serious issue which had to be cleared up.

33. Like the Advisory Committee, he hoped that the Secretary-General's reports on the implementation of the Ad Hoc Committee's recommendations would be more detailed in the future. If the recommendations were not to remain a dead letter, an appeal must

be made to the good will of all the organizations concerned, and action must be taken quickly.

The meeting rose at 12.25 p.m.