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FINANCIAL REPORTS AND ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 1968
AND REPORTS OF THE BOARD OF AUDITORS*

Second report of the Advisory Committee on Administrative and Budgetary
questions to the General Assembly at its twenty-fourth session

(a) United Nations

1. The Advisory Committee on Administrative and Budgetary Questions has considered the financial reports and accounts for 1968, and the related reports of the Board of Auditors, in respect of (i) the United Nations and its trust funds and special accounts; (ii) the United Nations regular programme of technical assistance and the United Nations and the United Nations Industrial Development Organization as participating and executing agencies for the United Nations Development Programme (Technical Assistance); (iii) the United Nations and the United Nations Industrial Development Organization as participating and executing agencies for the United Nations Development Programme (Special Fund); (iv) the Special Account of the United Nations Emergency Force; and (v) the ad hoc account for the United Nations Operation in the Congo.^{1/}

2. The Advisory Committee had the benefit of a discussion with the Board of Auditors on matters raised in its reports to the General Assembly and in its memorandum to the Committee. It also obtained the views of the Secretary-General on certain aspects of the reports.

3. As will be noted, the accounts for items (ii) and (iii) listed in paragraph 1 above show separately the status of funds in respect of the United Nations and

* Item 72 of the provisional agenda.

1/ Official Records of the General Assembly, Twenty-fourth Session,
Supplement No. 7 (A/7607).

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UNIDO as participating and executing agencies for UNDP. In the past the accounts for UNIDO as a participating and executing agency were included in the global United Nations figures.

4. In paragraph 15 of its report the Board of Auditors observes that a number of banks did not confirm the end-of-year balances of United Nations accounts. The Advisory Committee trusts that the Secretary-General will take the necessary steps to impress upon the banks concerned the need to provide this information.

5. The Advisory Committee has noted information provided by the Board in its memorandum on competitive bidding and advertising for United Nations procurement. It is indicated that an analysis of 1967 procurements reveals the need to re-examine certain of the contracting procedures. The Committee understands that the Secretary-General has examined this matter and presented detailed findings to the Board and that he intends to modify some procedures and examine the need for a revision of certain regulations. In this connexion the Committee calls attention to the Board's recommendation, contained in paragraph 16 of its report to the Assembly, that steps be taken to provide technical know-how and to build up specialized knowledge in the Purchase and Transportation Service. It understands that this could be done through a modification in the deployment of existing personnel.

6. The Advisory Committee invites the attention of the Administrator of the United Nations Development Programme to paragraphs 20 to 22 of the Board's report, which deal with certain irregularities in the execution of Special Fund projects by the United Nations.

7. In connexion with the ad hoc Account for the United Nations Operation in the Congo, the Advisory Committee noted from paragraph 41 of the Board's report that little or no progress was made during 1968 towards utilizing a balance in excess of \$1.8 million held in non-convertible zaïres. The Board indicated however that some utilization might be possible during 1969. The Committee notes that this balance has already depreciated in value and urges that a means be found to put it to fruitful use in the course of the current year.

8. The Advisory Committee notes from paragraph 45 of the Board's report that contributions receivable from Member States for the United Nations Emergency

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Force Special Account amounted to \$50,571,335 on 31 December 1968 as against \$56,087,036 at the end of 1967.

(b) United Nations Development Programme

9. The Advisory Committee has examined the financial reports and accounts submitted by the Administrator of UNDP along with the relevant report of the Board of Auditors. Five statements with supporting schedules are provided, as follows: (a) the United Nations Development Programme (Technical Assistance) account; (b) the United Nations Development Programme (Special Fund) account; (c) the United Nations Development Programme administrative budget of the secretariat; (d) the United Nations Development Programme Revolving Fund; and (e) the United Nations Development Programme: projects financed from technical assistance contingency allocations and executed by the Administrator.^{2/} The inclusion of statement (e), which did not appear in UNDP accounts for previous years, is explained by the fact that in 1968 the Administrator executed technical assistance contingency projects for the first time.

10. In paragraph 7 of its report the Board of Auditors calls attention to a number of cases in which savings in project budgets resulting from the delayed recruitment of experts and award of fellowships were used for other purposes. The Advisory Committee notes the undertaking given by UNDP to avoid continuance of this practice.

11. The Advisory Committee regrets that the improvement during 1967 in the collection of pledges to the Technical Assistance and Special Fund accounts, to which it drew attention in its report last year,^{3/} was not maintained during 1968. In fact, the amount of contributions pledged but unpaid rose from \$41 million to \$61.3 million at 31 December 1968.

(c) United Nations Children's Fund

12. The Advisory Committee has reviewed the financial reports and accounts of (a) the United Nations Children's Fund for the year ended 31 December 1968, and

^{2/} Ibid., Supplement No. 7 A (A/7607/Add.1).

^{3/} Ibid., Twenty-fourth Session, Annexes, agenda item 72, document A/7219, para. 11.

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(b) the UNICEF Greeting Card Fund for the year ended 30 April 1968 (the "campaign year"), together with the related reports of the Board of Auditors.^{4/}

13. The Advisory Committee recalls that in its report on the UNICEF accounts for 1967,^{5/} the Board of Auditors indicated the intention of the Executive Director of UNICEF to revise the form of presentation of the Fund's accounts, beginning with those for 1968, so that certain items of income and expenditure previously shown separately in tables and notes would form part of the financial statements. Certain modifications are reflected in the UNICEF accounts for 1968; nevertheless, the Board expresses the opinion in its report on these accounts that UNICEF's financial statements could show the results of its operations or its financial position in a clearer and more meaningful manner. The Committee notes that the Board has suggested specific changes in format and presentation, which it recommends should be reflected in the financial statements for 1969. It is the Committee's understanding that these changes will be discussed at a joint meeting of the Board and the representatives of UNICEF prior to the closing of the 1969 accounts.

14. No statement of assets and liabilities is provided with the accounts for the Greeting Card Fund, since the Fund and its related operations have been financed entirely from UNICEF funds as from 1 January 1968, in accordance with a decision taken by the UNICEF Executive Board in June 1967. Previously these operations were financed from a separate working capital built up from past profits.

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

15. The Advisory Committee has considered the financial reports and accounts of the United Nations Relief and Works Agency for Palestine Refugees in the Near East for the year ended 31 December 1968, and the related report of the Board of Auditors.^{6/}

16. The accounts reveal that in 1968 expenditures and commitments totalled \$43,987,105, against income of \$41,108,171; there was thus a deficit for the

^{4/} Ibid., Twenty-fourth Session, Supplement No. 7 B (A/7607/Add.2).

^{5/} Ibid., Twenty-third Session, Supplement No. 6 B (A/7206/Add.2).

^{6/} Ibid., Twenty-fourth Session, Supplement No. 7 C (A/7607/Add.3).

year of \$2,878,934, which was met from the working capital. The Board of Auditors has called attention to the depletion of the working capital, and suggested that the Commissioner-General of UNRWA seek ways and means of arresting it. The Advisory Committee notes that despite an increase in 1967 due to excess of income over expenditure in that year resulting from special contributions following the emergency of June 1967 - the level of the working capital, which is in effect a surplus account, has fallen by about \$4 million in the four years 1965-1968.

17. The Advisory Committee has noted that the losses suffered by UNRWA as a result of the June 1967 hostilities have been established at \$815,677 and that claims totalling \$804,395 have been transmitted to the Governments concerned. Losses due to hostilities since June 1967 totalled \$24,549. As for other losses amounting to \$104,349 sustained during 1968, the Board of Auditors considers them to be normal.

(e) United Nations Institute for Training and Research

18. The Advisory Committee has examined the financial report and the statement of status of funds of the United Nations Institute for Training and Research for the year ended 31 December 1968, along with the accompanying report of the Board of Auditors.^{7/}

19. The Advisory Committee notes from the financial report that the Institute's income in 1968 totalled \$626,218, or some \$88,900 more than in 1967. Taking into account a carry-over balance of \$1,239,076 from 1967, the total resources available for activities in 1968 was \$1,865,294. Obligations amounted to \$1,095,560, leaving a balance of income at 31 December 1968 of \$769,734, for carry-over to 1969.

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

20. The Advisory Committee has reviewed the financial reports and accounts, consisting of three statements and seven supporting schedules, of the voluntary

^{7/} Ibid., Supplement No. 7 (A/7607/Add.4).

funds administered by the United Nations High Commissioner for Refugees for the year ended 31 December 1968, together with the related report of the Board of Auditors.^{8/}

21. The Committee notes from statement II of the accounts that the voluntary funds available in 1968 amounted to \$8.2 million and that expenditure totalled \$5.8 million, leaving a surplus and balances of \$2.4 million at 31 December 1968.

22. In its report the Board of Auditors has once again drawn attention to aspects of agreements entered into by the High Commissioner with the Government of Greece for the construction of accommodation for refugees in that country. The Advisory Committee notes that considerable progress was made during 1968 in the issuance of bonds for the loans made to the refugees concerned and that a uniform repayment rate for the Office of the High Commissioner was agreed to. It would trust that the agreement for the disposition of interest collected, mentioned in paragraph 15 of the Board's report, will come into force in the course of 1969.

ADMINISTRATIVE AND MANAGEMENT AUDIT

23. The Advisory Committee has noted that the audit programme carried out by the Board of Auditors in respect of the 1968 accounts included a number of elements of administrative and management audit, as distinct from financial audit. In some cases the Board carried out special management audits of units of the Organization, and submitted recommendations based on its findings, while in others it made recommendations on administrative and management matters within the framework of its regular audits.

24. The Board of Auditors has indicated that its decision to expand the scope of its audit operations was based on the findings of the Ad Hoc Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies. In paragraph 67 of its second report to the General Assembly^{9/} the Committee recommended that the external auditors should be enabled under the financial regulations to make observations not only on financial, but also on administrative

^{8/} Ibid., Supplement No. 7 (A/7607/Add.5).

^{9/} Ibid., Twenty-first Session, Annexes, agenda item 80, document A/6343.

and management matters, and that where this was not so the regulations should be amended.

25. It is the view of the Advisory Committee that in certain respects the action initiated by the Board of Auditors to widen the scope of its audit programme is not fully consistent with the intent or the recommendation of the Ad Hoc Committee of Experts. In particular, the Committee believes that in initiating a number of special, separate management audits the Board may have gone further than the Ad Hoc Committee of Experts intended when it recommended that the external auditors be enabled to make observations on administration and management. The Committee would interpret this recommendation to mean that if, in the course of its regular audits, the Board encountered aspects of administration and management which it considered might be improved, in the interest of the organization concerned, it should include appropriate observations in its reports.

26. The concern of the Advisory Committee is motivated by its desire to avoid any duplication in the procedures for administrative and management control within the United Nations. While recognizing the responsibility in this regard placed upon the Board of Auditors by the Ad Hoc Committee of Experts, the Committee must take into account the fact that questions of administration and management come directly within the purview of the Joint Inspection Unit, the Administrative Management Service and the Committee itself. It recalls that in its report to the General Assembly on the revised budget estimates for 1969^{10/} it urged the Board of Auditors to exercise caution in its administrative and management audit programme, with the object of avoiding duplication and unnecessary expense. Furthermore, the Committee raised this same matter in its report on general co-ordination matters to the General Assembly at its twenty-third session,^{11/} and recommended a procedure by which it would itself co-ordinate the plans of the Joint Inspection Unit, the Board of Auditors, its own projects and the work of administrative and ad hoc groups for the following year. The Advisory Committee notes that the Board of Auditors communicated its audit plans to the Committee, in

^{10/} Ibid., Twenty-fourth Session, Annexes, agenda item 74, document A/7454.

^{11/} Ibid., agenda item 79, document A/7380.

accordance with regulation 12.2 of the Financial Regulations of the United Nations, and also exchanged views with the Joint Inspection Unit and maintained contacts with the Administrative Management Service. Nevertheless, the Committee believes that with respect to certain of the special management audits carried out by the Board in 1968-1969, and those planned for 1969-1970, there may be some duplication of the work of other bodies.

27. In the light of these considerations and taking into account the experience of the past year, the Advisory Committee trusts that the Board of Auditors will give further consideration to its future audit programme, in so far as it relates to the specific examination of administrative and management questions. It notes the willingness of the Board, as expressed to the Committee at its summer session, to take the Committee's views into account when drawing up its programme and deciding on the procedures to be adopted. The Committee proposes in future to take a more active part in the co-ordination of activities relating to administrative and management questions.
