



UNITED NATIONS
GENERAL
ASSEMBLY



Distr.
GENERAL

A/7302
31 October 1968
ENGLISH
ORIGINAL: SPANISH

Twenty-third session
Agenda item 72

FINANCIAL REPORTS AND ACCOUNTS FOR THE FINANCIAL
YEAR ENDED 31 DECEMBER 1967 AND REPORTS OF THE
BOARD OF AUDITORS

Report of the Fifth Committee

Rapporteur: Mr. Santiago MEYER PICON (Mexico)

1. At its 1234th meeting held on 8 October 1968, the Fifth Committee considered the financial reports and accounts for the year ended 31 December 1967 and the reports of the Board of Auditors for the United Nations (A/7206), the United Nations Development Programme (A/7206/Add.1 and Add.1/Corr.1), the United Nations Children's Fund (A/7206/Add.2), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (A/7206/Add.3 and Add.3/Corr.1), the United Nations Institute for Training and Research (A/7206/Add.4 and Add.4/Corr.1) and the voluntary funds administered by the United Nations High Commissioner for Refugees (A/7206/Add.5 and Add.5/Corr.1).
2. The related report of the Advisory Committee on Administrative and Budgetary Questions (A/7219 and Corr.1) covering the six sets of financial reports and accounts and the report of the Secretary-General on the budget performance of the United Nations for the financial year 1967 (A/7125) were also before the Committee.
3. A representative of the Chairman of the Board of Auditors and representatives of the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF) and the United Nations High Commissioner for Refugees (UNHCR) were present during the Committee's discussions.

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4. With reference to the accounts of the United Nations, a number of representatives commended the Board of Auditors for broadening the scope of its audit to include observations on matters of administration and management as well as finance, as had been recommended by the Ad Hoc Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies. The representative of the Board stated that it was prepared to undertake an even broader type of auditing with a view to submitting more comprehensive reports which would reflect the foreseeable future, but that such an undertaking was faced with two restrictions, one of which was of a legal nature since the Board could not exceed its mandate, and the other of a budgetary nature involving a continuous increase in the cost of auditing procedures.
5. One representative felt that the need for improved administrative practices, as reflected in the Board's report, was an important question which could be resolved by more efficient use of the present staff rather than the hiring of additional staff. Another representative felt that the role of the United Nations Internal Audit Service should be strengthened in order to assist in achieving that end.
6. Attention was called by one representative to the Board's comments on the deficit incurred in the amount of \$3,306 in 1967 under section 6 in respect of the payments of representation allowances to Under-Secretaries-General and Directors. Another representative, referring to the Advisory Committee's comment that there was a need for stricter control of those payments, endorsed the Board's suggestion that in the budget estimates under section 6 separate totals should be provided, in order that it might be determined whether the amounts paid to Under-Secretaries exceeded the ceiling fixed by the General Assembly pursuant to annex I, paragraph 2, of regulation 3.1 of the Staff Regulations of the United Nations.
7. In reply, the representative of the Secretary-General stated that it could not be said that payments of those allowances was made in violation of regulation 3.1. It was never the intention of the General Assembly to place very strict budgetary restrictions on the payment of those allowances. He noted that it was difficult to determine with great precision the amounts to be allocated for those purposes, and he did not think it desirable that provision for the representation allowance paid to Assistant Secretaries-General and

Under-Secretaries-General should be made separate from that for Directors. Moreover, the deficit incurred under the budget as a whole was, in fact, much less than that reported under section 6. Similar allocations made under other sections had been underspent, resulting in a net deficit incurred for those purposes of only \$500 to \$600.

8. Serious concern over the Board's observations regarding the construction of the building to house the Economic Commission for Latin America in Santiago, Chile, was expressed by many representatives. The detailed review undertaken by the Board revealed that the high level of the costs incurred in the construction of that building was attributable to many factors, but primarily to an unrealistic initial cost estimate, which had not taken into account the complex design selected and the technical features involved. As a result of the many revisions made in the estimate of requirements, the General Assembly had at no time been presented with a proper evaluation of the total cost. The Board, as well as the representatives commenting on the subject, considered it essential to ensure that similar errors should be avoided in any future construction contemplated by the United Nations.

9. In his reply, the representative of the Secretary-General stated that while the Secretariat may have made some erroneous calculations in respect of the estimate of the cost of that construction, it could not be held solely responsible for a number of contributing external factors, including national disasters, which had given rise to unforeseen expenditures. He concurred with the view of the Advisory Committee that a more detailed review of the matter should be deferred pending the consideration of a special report on the subject which the Secretary-General intended to submit to the General Assembly at its current session.

10. One representative expressed reservations regarding the scale used in assessing the instalment and interest charges of the United Nations bond issue and reiterated his delegation's position that assessment should be based on a special scale in accordance with the principles laid down in General Assembly resolution 1874 (S-IV) rather than on the scale used for the regular budget. Another representative reserved his delegation's position concerning the bond issue, special missions, and the surplus accounts for the United Nations Emergency Force and the United Nations Operation in the Congo.

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11. Recalling his delegation's suggestion of last year, one representative commented that the scope of the Board's audit of UNDP accounts had not been broadened to any appreciable extent, and he supported the Board's recommendation for creating a system to assess the usefulness of continuing projects on a periodic basis.
12. Regarding the accounts of UNICEF, the same representative concurred with the Board's recommendation for a strengthening of the role of the Fund's internal audit system in order to achieve a clearer and more consistent statement of income and expenditure. The representative of the Board pointed out that it had in the past recommended a study of the Greeting Card Fund's administrative structure with a view to correcting some of its short-comings. He noted that the study had not yet been received and that although some steps had been taken for improvement, there was still much to be desired.
13. In reply to the request reiterated by one representative that the reports of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWAPRNE) should clarify expenditures by object, it was pointed out by the representative of the Board that the Commissioner-General of UNRWA maintained that he had not received any mandate from the General Assembly for such a presentation.
14. In reply to one delegation's concern regarding the unsatisfactory state of UNHCR loans to Greece, the Deputy High Commissioner explained that some action had been started by the Greek Government for repayment of the loans by the refugees.
15. The Fifth Committee wishes to place on record once again its appreciation of the services rendered to the United Nations by the Board of Auditors.

RECOMMENDATIONS OF THE FIFTH COMMITTEE

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

FINANCIAL REPORTS AND ACCOUNTS FOR THE FINANCIAL
YEAR ENDED 31 DECEMBER 1967 AND REPORTS OF THE
BOARD OF AUDITORS

A

United Nations

The General Assembly

1. Accepts the financial report and accounts of the United Nations for the financial year ended 31 December 1967 and the certificates of the Board of Auditors;^{1/}

2. Concurs in the observations of the Advisory Committee on Administrative and Budgetary Questions as set forth in its second report to the General Assembly at its twenty-third session.^{2/}

B

United Nations Development Programme

The General Assembly

1. Accepts the financial report and accounts of the United Nations Development Programme for the financial year ended 31 December 1967 and the certificates of the Board of Auditors;^{3/}

2. Takes note of the observations of the Advisory Committee on Administrative and Budgetary Questions as set forth in its second report to the General Assembly at its twenty-third session.^{4/}

C

United Nations Children's Fund

The General Assembly

1. Accepts the financial report and accounts of the United Nations Children's Fund for the financial year ended 31 December 1967 and the certificates of the Board of Auditors;^{5/}

^{1/} A/7206.

^{2/} A/7219.

^{3/} A/7206/Add.1 and Add.1/Corr.1.

^{4/} A/7219.

^{5/} A/7206/Add.2.

2. Takes note of the observations of the Advisory Committee on Administrative and Budgetary Questions as set forth in its second report to the General Assembly at its twenty-third session.^{6/}

D

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

The General Assembly

1. Accepts the accounts of the United Nations Relief and Works Agency for Palestine Refugees in the Near East for the financial year ended 31 December 1967 and the certificates of the Board of Auditors;^{7/}

2. Takes note of the observations of the Advisory Committee on Administrative and Budgetary Questions as set forth in its second report to the General Assembly at its twenty-third session.^{8/}

E

United Nations Institute for Training
and Research

The General Assembly

1. Accepts the financial report and accounts of the United Nations Institute for Training and Research for the financial year ended 31 December 1967 and the certificates of the Board of Auditors;^{9/}

2. Takes note of the observations of the Advisory Committee on Administrative and Budgetary Questions as set forth in its second report to the General Assembly at its twenty-third session.^{10/}

6/ A/7219.

7/ A/7206/Add.3 and Add.3/Corr.1.

8/ A/7219.

9/ A/7206/Add.4 and Add.4/Corr.1.

10/ A/7219.

F

Voluntary funds administered by the United Nations
High Commissioner for Refugees

The General Assembly

1. Accepts the accounts of the voluntary funds administered by the United Nations High Commissioner for Refugees for the financial year ended 31 December 1967 and the certificates of the Board of Auditors;^{11/}

2. Takes note of the observations of the Advisory Committee on Administrative and Budgetary Questions as set forth in paragraphs 23 and 24 of its second report to the General Assembly at its twenty-third session.^{12/}

^{11/} A/7206/Add.5 and Add.5/Corr.1.

^{12/} A/7219.