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Summary record of the 49th meeting
Held at Headquarters, New York, on Tuesday, 20 March 2001, at 10 a.m.

Chairman: Mr. Rosenthal . . . . (Guatemala)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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01-29498 (E)

The meeting was called to order at 10.15 a.m.

Agenda item 116: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*)

Agenda item 123: Human resources management (*continued*)

Gratis personnel provided by Governments and other entities (*continued*) (A/55/728; A/C.5/55/13 and A/C.5/55/36)

1. **Mr. Dugan** (United States of America) said that, since type II gratis personnel were to be phased out by August 2001, the Committee should recommend to the General Assembly that the submission by the Secretary-General of quarterly reports on the use of gratis personnel should cease. It would be sufficient for the Secretary-General to report annually thereon.

2. **The Chairman** suggested that the Secretariat should prepare a draft decision for consideration by the Committee in which the Committee would recommend to the General Assembly that it should take note of the three reports of the Secretary-General on the use of gratis personnel provided by Governments and other entities contained in documents A/55/728, A/C.5/55/13 and A/C.5/55/36.

3. *It was so decided*.

Agenda item 115: Financial reports and audited financial statements, and reports of the Board of Auditors (*continued*) (A/55/5/Add.1, A/55/5/Add.7, A/55/5/Add.9, A/55/487, A/55/820 and A/55/836)

4. **Mr. Carague** (Chairman of the Board of Auditors) introduced the comments of the Board of Auditors on measures taken by the United Nations Development Programme (UNDP), the United Nations Population Fund (UNFPA) and the United Nations International Drug Control Programme (UNDCP) towards removing the reasons that had led to the qualified audit opinion on their financial statements for the biennium ended 31 December 1999, as contained in the note by the Secretary-General before the Committee (A/55/820). He recalled that the Board had qualified its audit opinion on the financial statements in question owing to the incomplete submission of audit reports in respect of national execution projects and, in the case of UNDP, unreconciled bank balances. The General Assembly had decided, in its resolution 55/220, to defer action on the financial statements pending certification by the Board that satisfactory progress was being made towards removing the reasons for the qualified opinions and to revert to the matter at its resumed fifty-fifth session.

5. Regarding national execution projects, all three organizations had drawn up plans to address the problems identified. The steps envisaged included continued efforts to obtain audit reports in respect of the biennium 1998-1999; setting of targets to secure audit reports covering up to 95 per cent of expenditures incurred through governmental and non-governmental organizations; greater focus by senior management on poorly managed projects and those with large expenditures; and increased use of private audit firms where government auditors did not have the capacity to conduct audits. Between the date of the audit opinion and 31 January 2001, additional audit reports had been obtained in respect of $569.8 million, or 37.2 per cent of the outstanding amount of $1.5 billion not covered by previous audit reports.

6. The Board was satisfied that, in principle, the plans developed by the three organizations provided an adequate basis, at the current time, for improving the extent to which national execution expenditure was covered by audit reports. If implemented, those plans should result in steady and significant progress over coming financial periods towards removing the reasons that had led to the qualified audit opinions. However, the Board also recognized that the underlying problem needed the close cooperation of implementing partners if it was to be fully and satisfactorily resolved. As to the unreconciled bank balances, UNDP had informed the Board that it had reconciled and resolved $10.4 million of the unreconciled amount of $11.1 million reported in the Board's report.

7. Noting that the Committee would be reviewing the term of office of the Board of Auditors, he said that the Board wished to reaffirm its preference for a six-year term of office, which would allow for the synchronization of the Board's appointment with the financial reporting cycle. It looked forward to the early resolution of the issue, which had been before the General Assembly since 1994.

8. **Mr. Mselle** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the

Advisory Committee (A/55/836), said that the Advisory Committee welcomed the plans drawn up by the three organizations to address the problems identified by the Board of Auditors, as well as the progress made in obtaining additional audit reports in respect of national execution expenditure. At the same time, it recommended that the organizations should pay close attention to the reports received. The Advisory Committee, along with the Board, would be following up on the steps taken towards removing the reasons for the qualified audit opinions. In the meantime, it would make no objection to the approval by the General Assembly of the financial statements of the three organizations for the biennium ended 31 December 1999.

9. **Mr. Nesser** (Sweden), speaking on behalf of the European Union, the associated countries Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia and Turkey, and, in addition, Norway, said, with reference to the note by the Secretary-General conveying the comments of the Board of Auditors on measures taken by UNDP, UNFPA and UNDCP towards removing the reasons that had led to the qualified audit opinion on their financial statements for the biennium ended 31 December 1999 (A/55/820) and the related report of the Advisory Committee (A/55/836), that, in the light of the comments and recommendations made in those documents, the European Union would make no objection to the approval of the financial statements in question. However, it urged the three organizations to adhere strictly to the plans they had drawn up with a view to correcting the situation. It fully endorsed the comments of the Advisory Committee in its previous report on the matter (A/55/487) concerning the seriousness of matters that led to a qualified audit opinion and the important effect on operations and funding that such an opinion could have. The European Union trusted that the three organizations would take the necessary steps to prevent the problems identified from recurring, beginning with their financial statements for the biennium 2000-2001.

10. **Mr. Repasch** (United States of America) expressed satisfaction that steps were being taken to address the problems highlighted by the Board. He wondered, however, whether those steps could be regarded as serious efforts to prevent those problems from recurring, or whether they were merely quick fixes. Noting that the United Nations Fund for International Partnerships (UNFIP) had, in response to the comments of the Board of Auditors, introduced a sunset clause whereby funding of projects would be withdrawn if a project document was not submitted to UNFIP for signature within 120 days of Board approval of the project, he asked whether it would be viable to introduce such a provision in respect of national execution projects. That would provide a strong incentive to governmental and non-governmental organizations to submit the necessary documentation.

11. **Mr. Carague** (Chairman of the Board of Auditors) said that the steps taken by the three organizations had both short- and long-term objectives, since they were aimed both at removing the reasons that had led to the qualified audit opinions and at avoiding the recurrence of those problems. He would address the issue of sunset clauses in informal consultations.

Agenda item 116: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*)

Review of the question of the term of office of the Board of Auditors (A/55/796)

12. **Mr. Connor** (Under-Secretary-General for Management), introducing the report of the Secretary-General on the review of the question of the term of office of the Board of Auditors (A/55/796), said that the report had been submitted pursuant to paragraph 8 of General Assembly resolution 55/220. He recalled that, in its resolution 48/216 D, the General Assembly had invited the Board to report to it at its forty-ninth session, through the Advisory Committee, on the implications of extending the term of office of members of the Board to four or six years. The Board's comments thereon were contained in document A/49/368 and Corr.1. The Board had expressed a preference for a six-year term of office, so that the appointment of its members would be synchronized with the financial reporting cycle. The report before the Committee illustrated various approaches that could be taken should the General Assembly decide to change the duration of the term of office of the members of the Board, as well as outlining the benefits of a six-year term.

13. **Mr. Nesser** (Sweden), speaking on behalf of the European Union, the associated countries Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia and Turkey, and, in addition, Norway, said that the report of the Secretary-General on the review of the question of the term of office of the Board of Auditors (A/55/796) was a useful basis for discussion, but required clarifications in certain areas before a decision could be taken.

14. **Mr. Repasch** (United States of America) expressed the hope that the report of the Secretary-General would facilitate the resolution, by the end of the current session of the General Assembly, of the long-standing issue of the term of office of the Board of Auditors. His delegation believed that it was important to synchronize the terms of office of the Board's members with the financial reporting cycle, but it had no position on the various alternatives presented in the report and was prepared to be flexible.

15. **Mr. Orr** (Canada) said that the resolution of the question of the term of office of the Board of Auditors was long overdue. Currently, one of the members of the Board had to step down in the middle of each biennial audit cycle. Where that member was not re-elected to the Board, the work of the Board on the audits of the financial statements was seriously disrupted, which was a cause for concern. The terms of office of the Board's members should be synchronized with the financial reporting cycle. His delegation would favour a six-year term of office. As to the transitional arrangements suggested in the report, it considered that alternative 2 would be easier to implement.

The meeting rose at 10.55 a.m.