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### FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS

#### PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1992-1993

#### Programme budget implications of draft resolution A/C.5/46/L.3

#### Statement submitted by the Secretary-General in accordance with rule 153 of the rules of procedure of the General Assembly

##### A. Requests contained in the draft resolution

1. Under the terms of operative paragraphs 3, 6, 17, 18, 19, 21 and 22 of draft resolution A/C.5/46/L.3, the General Assembly would:

(a) Endorse the recommendations of the Panel of External Auditors on the interim study 1/ [concerning the development of accounting standards to be applied in the United Nations system], and request the Secretary-General, taking into account the observations and recommendations of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) in its report, 2/ to appoint a consultant from within existing resources to propose a set of accounting standards for common application to the United Nations system and to report thereon to the General Assembly at its forty-seventh session;

(b) Request the Secretary-General and the executive heads of agencies to submit to the General Assembly at its forty-seventh session a timetable for remedial action on the recommendations by the Board of Auditors [included in separate sections of its reports that contain a summary of recommendations for corrective action to be taken by the United Nations organizations and programmes concerned];

(c) Endorse the recommendations by the Board of Auditors and ACABQ with regard to the administrative system of the International Trade Centre (ITC), and request the Secretary-General and the Executive Director of ITC to reach agreement on suitable administrative arrangements by the end of 1991, and request the Secretary-General to report thereon to the General Assembly at its forty-seventh session;

(d) Urge the Secretary-General and the executive heads of the United Nations organizations and programmes:

(i) To submit to the General Assembly at its forty-seventh session, through their respective governing bodies, detailed progress reports on steps taken to implement previous recommendations of the Board of Auditors and the related recommendations of ACABQ and to explain if any of those recommendations have not yet been implemented, and request the Board and ACABQ to evaluate the efficacy of those measures, and to report thereon to the Assembly at its forty-seventh session;

(ii) To report to the General Assembly at its forty-seventh session through their respective governing bodies on the implementation of effective measures to facilitate reporting by staff members on a confidential basis with due regard to considerations of privacy, of any inappropriate use of the resources of a United Nations organization or programme;

(iii) To implement stringent inventory controls on non-expendable property;

(iv) To institute without delay more effective control on the payment of all allowances and benefits to staff members and to report on the progress achieved in this regard to the General Assembly at its forty-seventh session through their respective governing bodies;

(e) Draw the attention of the Secretary-General and the executive heads of the United Nations organizations and programmes to paragraph 3 of the Annex to the Financial Regulations regarding the provision of information which is classified as confidential;

(f) Request the Secretary-General to submit, in the light of his experience in implementing the new budget process and in the context of views expressed by delegations, and of the observations and recommendations of the Board of Auditors 3/ and ACABQ 4/ and the problems referred to in document A/46/404, particularly in paragraph 12, a report to the General Assembly at its forty-seventh session concerning the way in which year-end obligations relating to expenditures on equipment and multiyear obligations should be dealt with;

(g) Express its appreciation to the Secretary-General for the steps taken to eliminate abuses in the payment of income tax reimbursements, and request the Secretary-General to continue efforts to recover outstanding

excess income tax reimbursements and report thereon to the General Assembly at its forty-seventh session, and request the executive heads of other organizations and programmes to do the same.

B. Relationship of proposed request to the approved programme of work

2. As regards the request contained in subparagraph 1 (a) above, provision is made under section 1 of the proposed programme budget for the biennium 1992-1993 <sup>5/</sup> for the costs of the Board of Auditors and its secretariat. The secretariat of the Board also provides administrative and substantive support to the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency (IAEA), which was established under General Assembly resolution 1438 (XIV) of 5 December 1959 and which, in its interim study on the need for the development of accounting standards to be applied in the United Nations system, <sup>1/</sup> indicated the need to make use of an expert to develop common accounting standards. Related activities are not programmed.

3. The requests contained in subparagraphs 1 (b) to (g) above are in part related to subprogramme 1 (Financial management and control systems) of programme 42 (Programme planning, budget and finance) of the medium-term plan for the period 1992-1997. <sup>6/</sup> Among the specific objectives of this subprogramme is "... to improve ... the responsiveness to audit recommendations;" and part of the related strategy is that "... liaison with the Board of Auditors will be maintained and audit observations and management letters will be reviewed with a view to coordinating responses and following up on remedial action".

4. Related activities are also programmed under subprogramme 1 (Financial management and control system) under section 33C (Office of Programme Planning, Budget and Finance) of the proposed programme budget for the biennium 1992-1993. Among the activities proposed are "... cooperation with other organizations of the United Nations system to exchange views and ensure a common approach;" and "... review reports by the internal and external auditors, follow up on audit observations and control".

C. Activities by which the proposed request would be implemented

5. Should the General Assembly adopt the draft resolution, with respect to subparagraph 1 (a) above, the Secretary-General would appoint a senior consultant to advise on a set of accounting standards for common application to the United Nations system. As the Deputy Controller indicated to the Fifth Committee in her introductory statement on this agenda item, the Consultative Committee on Administrative Questions (Financial and Budgetary Questions) (CCAQ (FB)), the subsidiary body of the Administrative Committee on Coordination (ACC) that is responsible for such matters on behalf of ACC, met with a representative of the Panel to discuss the Panel's interim study on

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this subject. Following these discussions, CCAQ (FB) decided to convene a working party in December 1991 to consider the subject of common accounting standards to be applied in the United Nations system. The working party will, *inter alia*, review the progress already achieved by the organizations of the common system in the development of common accounting standards and study further those aspects on which additional work is required. The results of the working party's efforts will be reviewed by CCAQ (FB) at its next session in March 1992. The senior consultant to be appointed by the Secretary-General would also consult with this working party, as well as individually with organizations of the United Nations system and with the Panel of External Auditors, in drawing up his proposals for the standards. A report concerning the work of the consultant and the results of the consideration of this subject by CCAQ (FB) would then be submitted to the General Assembly at its forty-seventh session. Implementation of common standards would, however, be subject to further consultations with the other organizations of the United Nations system and to appropriate action by their governing bodies.

6. Should the General Assembly adopt the draft resolution, the Secretary-General would:

(a) With respect to subparagraph 1 (c) above, consult with the Executive Director of the International Trade Centre on suitable administrative arrangements and report thereon to the General Assembly at its forty-seventh session;

(b) With respect to subparagraphs 1 (d), (f) and (g), review the issues raised, take the necessary action requested and report to the General Assembly at its forty-seventh session as appropriate.

D. Modifications required in the programme of work for 1992-1993

7. As indicated in section B above, the activities under paragraph 6 above are programmed and provision is made for them under section 33C of the proposed programme budget. Consequently, no related modifications of the proposed programme of work would be required.

8. As also indicated in section B above, provision is made for the Board of Auditors and its secretariat under section 1 of the proposed programme budget, but the related activities are not programmed. Accordingly, no modification in the proposed programme of work would be required in respect of activities under paragraph 5 above.

E. Additional requirements at full cost

9. Should the General Assembly adopt the draft resolution, activities under paragraph 5 would involve the need to hire a senior consultant for a period of six months and to provide for extensive travel to the headquarters of the various agencies and organizations of the system. The related cost is estimated at \$94,900 during 1992.

#### F. Potential for absorption

10. The provision for the Board of Auditors and its secretariat under section 1 of the proposed programme budget does not include any provision for consultants and only a very limited provision for travel. Accordingly, it is not anticipated that additional requirements arising from activities under paragraph 5 above could in fact be absorbed within the proposed appropriation. Since the proposed consultant would be proposing standards for the United Nations system, however, the Secretary-General would consult with participating organizations to explore the possibility of their proportionate reimbursement of related costs. Since there is currently no agreement to such cost-sharing, however, no assumption can be made about a corresponding reduction in related requirements.

11. The activities outlined in paragraph 6 above are consistent with the proposed programme of work and it is therefore assumed that related requirements will be absorbed within the proposed appropriations for 1992-1993.

#### G. Indication of additional requirements

12. Accordingly, should the General Assembly adopt draft resolution A/C.5/46/L.3, it is estimated that an additional requirement of \$94,900 would arise.

#### H. Contingency Fund

13. It will be recalled that, under the procedure established by the General Assembly in its resolution 41/213 of 19 December 1986, a Contingency Fund is established for each biennium to accommodate additional expenditures derived from legislative mandates not provided for in the proposed programme budget. Under the same procedure, if additional expenditures are proposed that exceed resources available from the Contingency Fund, these activities can be implemented only through redeployment of resources from low-priority areas or modifications of existing activities. Otherwise, such additional activities will have to be deferred until a later biennium. A consolidated statement of all programme budget implications and revised estimates will be submitted to the General Assembly towards the end of the current session.

14. No activity has been identified for termination, deferral, curtailment or modification under section 1 of the proposed programme budget for the biennium 1992-1993. Should it not prove possible to meet the costs required from the Contingency Fund, the implementation of the draft resolution may have to be postponed, as provided for in the guidelines for the use of the Contingency Fund adopted by the General Assembly in resolution 42/211 of 21 December 1987.

#### I. Summary

15. Should the General Assembly adopt draft resolution A/C.5/46/L.3, it is estimated that an additional appropriation of \$94,900 would be required under section 1 of the proposed programme budget for the biennium 1992-1993.

Notes

1/ A/46/341.

2/ A/46/546.

3/ Official Records of the General Assembly, Forty-fifth Session, Supplement No. 5 (A/45/5), paras. 63-67.

4/ A/46/601.

5/ Official Records of the General Assembly, Forty-sixth Session, Supplement No. 6 (A/46/6/Rev.1).

6/ Ibid., Forty-fifth Session, Supplement No. 6 (A/45/6/Rev.1).

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