



**Executive Board of
the United Nations
Development Programme
and of the United Nations
Population Fund**

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UNDP: FINANCIAL AND BUDGETARY MATTERS

Audit reports

Summary of significant observations of the external auditors
of the executing agencies on their 1993 accounts relating to
funds allocated to them by UNDP

INTRODUCTION

1. The external audit reports and audited accounts of executing agencies relating to funds allocated to them by the United Nations Development Programme (UNDP) as at 31 December 1993, submitted in accordance with regulation 17.1 of the UNDP Financial Regulations, are contained in addendum 1 to the present report, together with a summary of the status of funds submitted by all executing agencies as at 31 December 1993.

2. The external auditors issued an unqualified opinion and made no further observations on the financial statements for the year ended 31 December 1993 of the following executing agencies:

African Development Bank (AfDB)
Asian Development Bank (AsDB)
European Bank for Reconstruction and Development (EBRD)
International Atomic Energy Agency (IAEA)
International Civil Aviation Organization (ICAO)
International Finance Corporation (IFC)
International Monetary Fund (IMF)
International Maritime Organization (IMO)
International Trade Centre (ITC)
United Nations Educational, Scientific and Cultural Organization (UNESCO)
World Bank
World Meteorological Organization (WMO)
World Tourism Organization (WTO)



Sections I to IX below contain the Administrator's comments on significant observations made in the audit reports of other executing agencies.

I. UNITED NATIONS DEVELOPMENT PROGRAMME

3. The Administrator's comments concerning the report of the United Nations Board of Auditors are contained in document DP/1995/10/Add.1.

II. UNITED NATIONS

4. In the course of its audit of the United Nations, the United Nations Board of Auditors examined the administration of technical cooperation activities carried out by the Department of Technical Cooperation for Development. The Board's findings are reflected in paragraphs 184 to 207 of its report to the General Assembly.

III. FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS (FAO)

5. The external auditors issued an unqualified opinion on the financial statements for the biennium ended 31 December 1993. Although the financial statements were not qualified, the auditors made the following observations:

(a) Unliquidated obligations (ULOs). In the auditor's initial examination of 23 ULOs, nine of the items were either invalid or incorrectly valued. As a result, FAO reviewed the majority of ULOs by value and identified invalid liabilities valued at \$3.1 million in the UNDP Status of Funds Statement. FAO has made appropriate adjustments to the Statement;

(b) Accounts payable. The auditor's initial review of 20 randomly selected accounts payable balances showed that eight of the items were invalid or incorrectly valued. In its subsequent review of the accounts payable balances, FAO identified invalid items of \$225,000 on the FAO/UNDP Status of Funds Statement. FAO has classified these as deferred credits on the balance sheet.

IV. INTERNATIONAL LABOUR ORGANIZATION (ILO)

6. The external auditors issued an unqualified opinion on the financial statements for the year ended 31 December 1993. Although the financial statements were not qualified, the auditors made the following observations:

(a) Technical cooperation support costs. In the examination of UNDP project expenditure, the auditors reviewed four of the 27 projects on which expenditures had been recorded. They were unable to confirm the ILO estimate of work completed, as ILO had not sufficiently described the timing and nature of the services against which completion could be monitored;

(b) Interest on balance of funds. The average balance of funds held by ILO on behalf of UNDP during 1992-1993 was negative at \$9.4 million owed by UNDP to ILO. ILO has charged interest on an annual basis to UNDP on the average negative funding balance. In the 1992-1993 biennium, this interest amounted to \$636,000;

(c) Decentralization. ILO has assigned to their Asia and Pacific Regional Office the budgetary responsibility for three UNDP-financed technical cooperation projects. In one project, a significant number of commitments valued at \$920,000 had been issued in excess of the current year allocation without approval to rephrase project funds. However, with the decentralization, it was only in late 1993 that ILO identified this situation. UNDP had retrospectively approved the rephrasing of project funds. The auditors recommended that ILO should ensure that regional offices establish sound financial monitoring procedures.

V. INTERNATIONAL TELECOMMUNICATION UNION (ITU)

7. The external auditors issued an unqualified opinion on the financial statements for the year ended 31 December 1993. Although the financial statements were not qualified, the auditors made the following observations:

(a) Allocations for projects funded by indicative planning figures (IPFs), Special Programme Resources (SPR), the Special Measures Fund for the Least Developed Countries (SMF/LDC) and Government cash counterpart contributions (GCCC). The auditors noted that for eight projects, the allocation was lower than the expenditure. In some cases, the difference was due to adjustments that should be taken into account in the annual mandatory revision, which will be the subject of an additional allocation. The auditors requested ITU to ensure that the extra allocations actually materialize.

The allocations for three LDC-funded projects mentioned in the 1991, 1992 and 1993 audits were still not allocated. The auditors again requested ITU to obtain the missing allocations;

(b) Status of funds. The auditors noted that there was a net difference of \$39,814 between the status of funds at 31 December 1993 prepared by ITU and the UNDP final Operating Fund Statement (OFS 93-12). The difference, which had been fully identified, was corrected in 1994.

VI. UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)

8. The external auditors issued an unqualified opinion on the financial statements for the biennium ended 31 December 1993. Although the financial statements were not qualified, the auditors made the following observations:

(a) Unliquidated obligations (ULOs). The auditors noted that the share of ULOs in the total expenditures compared favourably with the corresponding figures for previous years and efforts were made to process Field Interoffice Vouchers (FIOV) in a more timely manner. However, the existing procedures for

the review of the validity of the ULOs at the end of the accounting period were not completely adhered to and the elaboration of new procedures, ensuring a more effective financial administration, was necessary;

(b) Project management. From the examination of procedures and audit of 13 projects in the field, the auditors noted that most of the projects reviewed could not be implemented as scheduled in the project documents and within the initial project budget. This was brought to the attention of management for action.

VII. UNIVERSAL POSTAL UNION (UPU)

9. The external auditors issued an unqualified opinion on the financial statements for the year ended 31 December 1993. Although the financial statements were not qualified, the auditors made the following observation:

Status of funds. The auditors noted that there was a net difference of \$113,577.73 between the status of funds at 31 December 1993 prepared by UPU and the UNDP final Operating Fund Statement (OFS 93-12). The difference was partially corrected in 1994. The remaining balance is under correspondence with UNDP for correction in 1995.

VIII. WORLD HEALTH ORGANIZATION (WHO)

10. The external auditors issued an unqualified opinion on the financial statements for the year ended 31 December 1993. However, their examination was limited in scope owing to circumstances of local political and civil unrest of the Organization's Regional Office for Africa. The auditors were unable to carry out sufficient examination of the operations and transactions in that office. However, they proposed to carry out an audit of the operations of the Regional Office for Africa as soon as circumstances permit.

IX. WORLD INTELLECTUAL PROPERTY ORGANIZATION (WIPO)

11. The external auditors issued an unqualified opinion on the financial statements for the year ended 31 December 1993. Although the financial statements were not qualified, the auditors observed that there was a net difference of \$116,128 between the status of funds at 31 December 1993 prepared by WIPO and the UNDP final Operating Fund Statement (OFS 93-12). The auditors confirmed that this amount considered by WIPO as income in 1993 should remain but would be subject to any subsequent adjustments in 1994 based on detailed review by UNDP of AOS calculations. The outstanding balance is still under consideration by UNDP.

X. EXECUTIVE BOARD ACTION

12. The Executive Board may wish to take note of the present note.