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Development Programme**

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S U P P O R T

FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

Audit reports

Addendum

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UNITED NATIONS DEVELOPMENT PROGRAMME
Summary of the Status of Funds Submitted by the Executing Agencies
as at 31 December 1983 (expressed in US dollars)

	United Nations	UNIDO	UNCLAD	ECA	ESCAP	ECE	ECLAC	ECOA	UNCFB	ILO	FAO	UNESCO	ICAO	WHO
Operating Fund														
Balance at 1 January 1983	(24 992 026)	(32 724 458)	(3 375 104)	(2 011 115)	(1 596 755)	(217 898)	(260 052)	50 745	(9 206 998)	(11 462 116)	(26 512 326)	(12 390 440)	(7 860 110)	471 088
Add: Cash drawings from UNDP	61 904 738	54 930 000	10 312 274	2 301 670	4 099 379	804 259	1 908 300	(71 000)	9 296 930	41 379 000	86 801 649	31 653 000	25 364 000	13 337 500
EDV and other charges (net)	27 120 091	18 422 658	5 558 089	4 796 846	2 966 271	398 308	585 255	333 590	6 226 701	14 746 482	59 574 213	20 702 965	9 411 385	9 049 413
Miscellaneous income and exchange adjustments (net)	182 762	175 752	20 042	-	29 490	(147)	-	36 383	23 514	42 103	(1 549 104)	(263 261)	116 735	(32 914)
Miscellaneous items refunded to (by) UNDP (net)	561 797	(23 428)	14 834	23 854	-	4 064	10 295	-	31 145	61 689	295 487	273 856	13 142	222 909
	64 777 362	40 780 524	12 530 135	5 111 255	5 496 385	988 566	2 243 798	349 718	6 371 292	44 767 158	118 609 919	39 976 120	27 025 152	23 047 996
Deduct: Expenditure during 1983														
for projects	79 250 779	50 194 714	13 030 079	4 242 582	6 781 162	678 721	1 680 093	499 534	12 337 313	43 258 097	118 375 403	41 822 921	27 633 013	16 439 539
for programme support costs	10 481 721	7 022 544	1 822 134	551 536	640 403	94 455	253 323	64 940	1 603 850	6 032 333	15 956 371	5 804 946	3 865 403	2 161 009
	89 732 500	57 217 258	14 852 213	4 794 118	7 421 565	773 176	1 933 416	564 474	13 941 163	49 290 430	134 331 774	47 627 867	31 498 416	18 600 548
Balance as at 31 December 1983 ^{a/}	(24 955 138)	(16 436 734)	(2 322 078)	317 137	(2 123 180)	215 390	310 382	(214 756)	(7 569 871)	(4 523 272)	(15 721 855)	(7 651 747)	(4 473 264)	4 447 448
Represented by:														
Cash at bank, on hand and in transit	3 266 834	3 453 530	94 829	-	22 652	-	-	16 514	831 104	31 844 598	10 061 487	1 692 563	3 419 523	-
Accounts receivable	8 668 909	4 150 694	1 360 365	2 923 307	128 750	272 602	652 849	37 842	339 982	4 540 771	5 820 402	5 303 099	2 863 998	4 447 448
	11 935 743	7 604 224	1 455 194	2 923 307	151 402	272 602	652 849	54 356	1 171 086	36 385 369	15 881 889	6 995 662	6 283 521	4 447 448
Deduct: Accounts payable	5 540 323	6 184 961	589 028	1 280 994	935 170	22 291	-	192 965	1 997 836	33 920 836	10 236 401	3 419 355	4 742 401	-
1983 Unliquidated Obligations	31 350 558	17 855 997	3 186 244	1 325 176	1 339 412	34 921	342 467	76 147	6 743 121	6 987 805	21 367 343	11 228 054	6 014 384	-
	36 890 881	24 040 958	3 777 272	2 606 170	2 274 582	57 212	342 467	269 112	8 740 957	40 908 641	31 603 744	14 647 409	10 756 785	-
Balance as above ^{a/}	(24 955 138)	(16 436 734)	(2 322 078)	317 137	(2 123 180)	215 390	310 382	(214 756)	(7 569 871)	(4 523 272)	(15 721 855)	(7 651 747)	(4 473 264)	4 447 448

^{a/} Explanatory Note:

The amounts credited to the above Operating Fund Statements are recorded on a cash basis, i.e. cash actually remitted or payments already made by UNDP on behalf of the executing agencies. Expenditure, however, is recorded on an accrual basis, i.e. includes unliquidated obligations for which the executing agencies will receive the necessary funds from UNDP at or near the time of disbursement. At any reporting date, therefore, the expenditure incurred normally exceeds the funds received and for this reason the balance of funds is normally negative.

UNITED NATIONS DEVELOPMENT PROGRAMME
 Summary of the Status of Funds Submitted by the Executing Agencies (Cont'd)
 as at 31 December 1983 (expressed in US dollars)

	World Bank	UPI	ITU	WHO	IMO	WIPO	IAEA	WTO	AFESD	AsDB	IDB	GOVERN- MENTS	SUBTOTAL	UNDP	TOTAL
Operating Fund															
Balance at 1 January 1983	(7 803 332)	144 396	(2 722 547)	(2 739 116)	(3 263 150)	(369 796)	(2 396 688)	(103 469)	(247 740)	(320 989)	31 154	(605 198)	(152 504 040)	(11 688 524)	(164 192 564)
Add: Cash drawings from UNDP	31 109 928	580 293	17 280 001	8 172 856	6 236 888	1 353 356	3 119 000	792 000	263 043	3 479 433	-	11 333 719	427 742 216	-	427 742 216
IOV and other charges (net)	8 518 010	1 105 252	8 702 052	5 623 548	1 989 528	309 943	1 765 189	84 808	560	123 266	(18 770)	5 696 460	213 792 113	50 181 053	263 973 166
Miscellaneous income and exchange adjustments (net)	(133 284)	(21 140)	235 114	(34 105)	2 664	(8 380)	(118 081)	2 732	-	1 550	-	(1 755)	(1 293 330)	(55 157)	(1 348 487)
Miscellaneous items refunded to (by) UNDP (net)	-	(4 804)	(14 432)	(5 628)	(10 922)	-	6 078	63	-	(95 664)	-	763 974	2 128 289	(24 053)	2 104 236
	31 691 322	1 803 997	23 480 188	11 017 555	4 955 008	1 285 123	2 375 498	776 134	15 863	3 187 596	12 384	17 187 200	489 865 248	38 413 319	528 278 567
Deduct: Expenditure during 1983 for projects	37 216 362	1 601 055	21 602 497	11 318 075	5 960 535	1 250 404	3 690 447	798 079	329 568	2 898 204	(9 450)	15 084 452	517 964 178	42 629 868	560 594 046
for programme support costs	3 505 271	352 232	2 736 346	1 810 016	1 100 000	275 000	1 141 855	103 750	42 844	376 767	-	189 381	68 188 430	5 393 811	73 582 241
	40 721 633	1 953 287	24 338 843	13 128 091	7 060 535	1 525 404	4 832 302	901 829	372 412	3 274 971	(9 450)	15 273 833	586 152 608	48 023 679	634 176 287
Balance as at 31 December 1983 ^{a/}	(9 030 311)	(149 290)	(858 655)	(2 110 536)	(2 105 527)	(240 281)	(2 456 804)	(125 695)	(356 549)	(87 375)	21 834	1 913 367	(96 287 360)	(9 610 360)	(105 897 720)
Represented by:															
Cash at bank, on hand and in transit	2 305 128	131 344	2 049 180	935 680	156 588	17 252	(441 788)	7 267	-	164 779	163 090	1 947 789	62 139 943	-	62 139 943
Accounts receivable	2 214 881	296 277	1 698 810	949 824	182 820	24 373	539 230	13 815	-	1 047 565	-	-	48 478 613	-	48 478 613
	4 520 009	427 621	3 747 990	1 885 504	339 408	41 625	97 442	21 082	-	1 212 344	163 090	1 947 789	110 618 556	-	110 618 556
Deduct: Accounts payable	4 312 261	223 286	1 125 555	2 496 476	1 055 096	156 878	772 846	106 289	356 549	285 876	141 256	-	80 096 931	-	80 096 931
1983 Unliquidated Obligations	9 238 059	353 625	3 481 090	1 497 564	1 369 839	125 028	1 781 398	40 484	-	1 013 843	-	34 422	126 808 985	9 610 360	136 419 345
	13 550 320	576 911	4 606 645	3 996 040	2 444 935	281 906	2 554 246	146 777	356 549	1 299 719	141 256	34 422	206 905 916	9 610 360	216 516 276
Balance as above ^{a/}	(9 030 311)	(149 290)	(858 655)	(2 110 536)	(2 105 527)	(240 281)	(2 456 804)	(125 695)	(356 549)	(87 375)	21 834	1 913 367	(96 287 360)	(9 610 360)	(105 897 720)

REPORT OF THE EXTERNAL AUDITOR ON THE STATEMENT SHOWING
AS AT 31 DECEMBER 1983 THE STATUS OF FUNDS ADVANCED
TO THE INTERNATIONAL LABOUR ORGANISATION BY THE
UNITED NATIONS DEVELOPMENT PROGRAMME

General

1. The Statement and supporting Schedules relating to the participation of the International Labour Organisation in the United Nations Development Programme are generally in the form prescribed by UNDP. My examination of them has been carried out in conjunction with my audit of the regular budget and subsidiary funds of the Organisation, which included a payroll audit. I have also examined the programme and relevant reports of internal audit.

2. Statement I shows the resources made available to the ILO by UNDP and the expenditure incurred by the ILO during the 1982-1983 biennium. Schedules 1 and 2 show expenditure for each year of the biennium, by source of funds and by country and project component, distinguishing between disbursements and unliquidated obligations. The total expenditure during the biennium was \$107,552,628, which is a decrease of 15 per cent on the total for the preceding two years.

Project evaluation

3. During 1982-1983, my staff continued an examination of the ILO's procedures for programme and project evaluation which now cover certain UNDP projects. They reviewed 25 projects in the Asian region, of which 13 were funded by UNDP, and nine projects in the African region, of which six were wholly or partly funded by UNDP. The results of the examination of these projects are sent out in paragraphs 14 to 43 of my Report on the ILO's Accounts for 1982-1983.

4. I wish to record my appreciation of the willing co-operation of the staff of the International Labour Office during my audit.

(Signed) Gordon Downey
(Comptroller and Auditor General, United Kingdom)
External Auditor

9 April 1984

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Extract of report: Financial report and
audited financial statements for the fifty-eighth
financial period (1982-83) and
Report of the External Auditor, submitted to the
International Labour Organisation (ILO)

Programme and project evaluation in the ILO

14. In my report for the 1980-1981 biennium, I referred to the development in the ILO since 1977 of an evaluation system designed to improve the management and implementation of current projects; yield information to improve the planning of proposed projects; bring together evaluative results from a variety of sources; and provide the basis for evaluating entire programmes and testing the validity of strategies, policies and approaches being pursued.

15. My report acknowledged the efforts made during the biennium towards introducing an effective project evaluation system and a supporting integrated information system and expressed the hope that work would continue in these two areas and that eventually all suitable ILO projects would be covered. In regard to programme evaluation, I accepted that an increase in such evaluations would require an increase in resources, but in view of its potential benefits, I recommended that the development of effective programme evaluation should be given higher priority than it appeared to have received up to then.

16. The Office told me in 1983 that the new procedures mentioned in my 1980-1981 report had been steadily extended and now covered the full range of projects financed from multi-bilateral sources. In addition, instructions had been issued for their application to certain UNDP-funded projects. The Office also informed me that the Governing Body had taken an active interest in different aspects of project implementation. In this context, there had been a number of initiatives or studies including the assessment of some 30 selected technical co-operation projects in different technical fields and regions; a review of the role of technical co-operation inputs which led to the adoption of policy guidelines by the Governing Body; and the fielding of tripartite Governing Body missions to evaluate ILO programmes in six countries. The reports on these missions were discussed by the respective Regional Advisory Committees and the Committee on Operational Programmes; and the findings and

recommendations were brought to the attention of Governments and employers' and workers' organizations in the countries concerned. Further progress had been made in developing an integrated information system and the resources for the Evaluation Unit had been increased to permit the carrying out of some programme evaluation.

Review of technical co-operation projects in the
Asian and African regions

General

17. During the 1982-1983 biennium, my staff examined 34 technical co-operation projects in the Asian and African regions as part of their combined financial/operational audit of ILO activities. A major aim of the examination was to test the practical application of the programme and project evaluation procedures mentioned in the previous paragraphs. The review was based on examinations of project documentation and reports on physical progress, interviews with staff concerned with the implementation both at headquarters and in the field and, where appropriate, brief visits to sites.

Asian region

18. During their visit to this region in October 1982, my staff reviewed 25 technical co-operation projects, mainly in the employment and training programmes. Twenty-two were country projects, in six countries of the region, and three were regional projects, involving more than one country. The examination enabled me to form a general opinion on the operation of control procedures for the implementation and monitoring of these projects, and the Office had accepted that, taken as a whole, my comments represent a fair reflection of the general position regarding control and monitoring of ILO technical co-operation projects in the Asian region.

Control procedures

19. My staff found that generally satisfactory control was being exercised over all 25 projects. There was evidence of a considered policy basis for the ILO undertaking the projects; valid project documents suitable for controlling project implementation existed; reporting and monitoring procedures were being followed; budgetary control procedures were being observed; the evaluations provided for in the project documents were being carried out; and steps had been taken to remedy problems identified.

20. The only real weakness identified in the procedures was that in a few cases, project objectives and targets appeared to be too imprecise to provide a sound basis for the evaluation of performance. This led me to inquire what steps the Office was taking to improve the definition of project objectives.

21. The Office told me that it fully recognized the need for clearly defined project objectives and targets. In recent years, it had made considerable efforts to improve the definition of project objectives, not only to permit more effective performance evaluation but also to bring about improved implementation. Many of the projects examined by my staff were well advanced or in their concluding phase and their objectives could not therefore be redefined to permit more effective evaluation of performance. My staff subsequently examined a random selection of projects designed under current methodology and this confirmed that there had been a marked improvement in the clarity of objectives.

Implementation of projects

22. The success of a project depends to a large extent on the sponsoring bodies fulfilling their obligations under the terms of the project document. My staff found that the ILO had generally done so. In the majority of cases, the ordering and delivery of equipment and the release of funds by the ILO had been properly timed to meet the requirements of the project. In a few projects, however, difficulties had been experienced in filling the Chief Technical Adviser and/or project expert posts. Although these difficulties did not always affect the eventual achievement of project objectives, they nevertheless impeded the projects' planning, organization and progress.

23. The position on national inputs was less satisfactory. In a number of cases, project progress had been delayed or objectives had not been fully achieved because of the Government's failure to meet some of its obligations under the project document. The most common problem, evident mainly in vocational training schemes, was late appointment or non-appointment of counterpart staff. There was also, in one or two cases, a high turnover among the national staff, with vacant posts left unfilled for long periods. As these appointments are often fundamental to the long-term success of a project, it is important that they are timed so that the staff concerned derive the maximum benefit from working alongside the international experts. I inquired, therefore, whether the Office was considering ways of overcoming these problems, for example by retiming the arrival of the related ILO inputs.

24. The Office told me that the Chief Technical Adviser, in co-operation with the ILO Office director, invariably sought to ensure compliance with the project work plan and pressed for the arrival of experts, and other project inputs, to be synchronised with the designation of suitable national counterparts. There had, however, been cases in which recruitment of experts had fallen out of step with the arrangements agreed with the national authorities for the appointment of a counterpart. This was sometimes unavoidable but existing monitoring procedures were designed to keep such cases to a minimum.

25. The Office added that the situation found by my staff reflected a persistent problem with regard to national inputs to technical co-operation projects and the designation of national counterparts. In most developing countries, the limitations of manpower and financial resources were a constant problem and often prevented Government from fully meeting their obligations, despite their best intentions and firm promises. Other reasons included shifts in policy and budgetary priorities, national staff changes, or other factors which were beyond the control of the ILO and were not foreseen during the preparation of the project.

26. The Office considered that the high turnover among national staff in the countries concerned could be attributed mainly to the better salaries paid to qualified technical staff in other employment. It accepted that the recruitment of experts for given locations and posts sometimes presented difficulties, partly because of the lengthy recruitment procedure which caused delay when a selected candidate declined his offer of appointment.

27. The Office told me that it would continue to try to ascertain, before project documents were signed, the Government's ability to meet its counterpart obligations. Experience showed, however, that this was not always a guarantee of performance. Though projects were generally conceived for execution within the term of office of the existing national administration, changes of Government and within Governments sometimes altered the situation. In some cases where the counterpart organization or a Government was failing to meet its obligations, the only feasible course was to strive for the best results in the circumstances, while helping the national authorities to overcome the constraints on them.

Regional projects

28. The Asian regional projects reviewed dealt with employment promotion, labour and population matters and strengthening of labour administrations. The examination showed that the control and monitoring of these projects were generally good. The reports seen indicated that they were meeting the needs of participating countries. However, it is particularly difficult to set precise targets and objectives for projects of this kind. Nevertheless, they are of much longer duration than most ILO technical co-operation projects (over 10 years in some cases), so that observable changes over the period, in the fields with which they are concerned, might give a broad indication of their impact.

29. In reply to my inquiries about the absence of any attempt to measure achievement in this way, the Office explained that most of the Asian regional projects had begun in a small way and had only gradually evolved into more influential "centres of excellence" in their respective fields. While it was difficult to establish precise indicators which would serve to measure the achievements of every individual regional project, observable changes did result from such activities as top-level technical or policy advice, problem diagnosis, training and support to national projects and programmes. For example, the Office had noted that, as a result of the advisory services provided by the Asian regional team on population and labour activities, eight Asian labour ministries had established institutional arrangements to underpin family welfare activities in the organized sector.

Fellowships

30. Fellowships were an important part of many of the projects examined. ILO procedures require fellows to submit reports of their activities, including final reports at the end of their studies and follow-up reports one year later, to show the benefits derived from their training. My staff's examination of Asian Regional Office records showed that follow-up reporting procedures had largely fallen into disuse, so that there was little systematic retrospective evaluation of fellowships. In these circumstances, ad hoc evaluations forming part of projects which include fellowships assume a greater importance. My staff noted, however, that progress reports on such projects usually included no evaluation of the benefits derived from the fellowships.

31. The Office told me that a review of the ILO Fellowship Programme had been carried out and submitted to the ILO Governing Body Committee on Operational Programmes. The Governing Body had subsequently endorsed its conclusions. These included the conclusions that Governments, national institutions and Chief Technical Advisers need to be made more aware of suitable techniques for the evaluation of fellowship programmes and the cost control of fellowship activities; and that evaluation and effectiveness would be improved if greater attention were paid to the setting of clear objectives in fellowship training.

Conclusions

32. My general conclusion from the examination of the Asian projects is that most of the problems encountered stemmed from the omission of Governments to meet all their obligations under the project document, a factor upon which the ILO has only limited influence. The Office assured me, however, that to the extent that other lessons drawn require a changed approach or specific measures, they would be reflected in the design and execution of new activities and, where necessary, in the implementation of operational projects.

33. My staff found that, of the 25 projects examined, 18 had substantially achieved, or appeared on course to achieve, the principal objectives set for them. Of the remaining seven projects, five were complete but appeared only partly to have achieved their approved objectives. The other two, still in progress, seemed to have encountered problems which made it unlikely that they would fully achieve their purposes.

African region

34. My staff visited the African region in July and August 1983 and examined eight technical co-operation projects and a special public works programme in five countries. As in the case of the Asian region, the examination was mainly directed towards the existence of satisfactory documentation and the operation of procedures for controlling implementation and evaluation of the projects. All but one of the projects were in countries in the least developed category. Furthermore, since the sample was relatively small and the projects were confined to East Africa, the findings cannot be considered as representative of the African region as a whole.

35. In general, my staff found that there was evidence of a considered basis for the ILO's implementation of the projects; that valid project documents suitable for controlling project implementation existed; that reporting and monitoring procedures were being followed; that budgetary control procedures were being observed; that the evaluation provided for in the project documents was being carried out; and that, where appropriate, attempts had been made to remedy any problems identified.

36. In those instances where their examination led my staff to conclude that normal control procedures had not been followed completely, they referred the particulars to the ILO headquarters. The Office confirmed that one of the projects had been operating for some time under a project document that had not been signed, but stated that neither the implementation nor the monitoring of the project had been affected. Based on their findings on two projects, my staff recommended that monitoring reports should be in a form which would enable headquarters to identify easily whether and to what extent all activities were being carried out as foreseen in the project documents.

37. In this connection, the Office informed me that the UNDP progress report format was now in general use even for projects funded from non-UNDP sources. While that format did not require the listing of the activities and outputs as they appeared in the project document with an individual report against each item listed, it would certainly permit such an approach. The Office thought that it would be beneficial to institute such a procedure for progress reports on most of the larger and more complex ILO projects.

38. With regard to the meeting of project obligations, my staff found that the ILO inputs were generally satisfactory. In the majority of cases, the ordering and delivery of equipment and the Organisation's release of funds had been properly timed to meet the requirements of the projects.

39. In regard to national inputs, my staff found that in several of the projects, progress had been delayed or objectives had not been fully achieved because Governments had not met some of their obligations under project documents. Problems had been created by the revision of priorities by Governments, by failures to provide or retain national counterpart staff, and by lack of adequate office accommodation and teaching facilities. But in each case, these problems had been reported to the ILO headquarters or the Office had become aware of them through their regular monitoring procedures.

40. In reply to my inquiries, the Office stated that there was less likelihood of these problems arising in developing countries outside the least developed category.

Project achievements

41. My staff's observations and further information and explanations provided by the Office suggest that at the time of the examination, seven of the nine projects, including the special public works programme, were on course to achieve their objectives. One of the remaining two had been terminated (paragraph 12 above) [Youth training and social development project] and the other seemed likely to fall short of its objectives. But in both cases, the ILO headquarters had been kept fully informed of the situation through their reporting and evaluation procedures and statements provided by the Office indicated that the factors which had impeded their progress had been fully reviewed and acted upon where possible.

42. Whilst I recognize that it would be unwise to draw from this limited examination of African region projects conclusions about the operation of monitoring procedures in the region as a whole, I have been pleased to note that headquarters were so closely aware of the developments in the cases seen by my staff. This clearly enabled the ILO to act promptly to consider the scope and necessity for remedial action when required.

General comment

43. Although I have referred in paragraphs 33 and 41 above to the inability of certain projects to achieve their main objective, I accept that such projects can nevertheless produce worthwhile results. All of these projects undoubtedly assisted the countries concerned to a considerable extent. And, having regard to the difficult conditions under which some were undertaken, I consider that the implementation of the ILO technical co-operation projects examined by my staff was generally satisfactory.

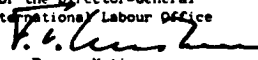
UNITED NATIONS DEVELOPMENT PROGRAMME
INTERNATIONAL LABOUR ORGANISATION
Status of funds as at 31 December 1983

(Expressed in US dollars)

<u>Operating Fund for the biennium 1982-83</u>		
Balance at 1 January 1982		1 039 660
<u>Add:</u> Cash drawings from UNDP		68 462 626
1982	27 083 626	
1983	<u>41 379 000</u>	
IOVs and other charges (net)		32 445 668
1982	17 699 186	
1983	<u>14 746 482</u>	
Miscellaneous income and exchange adjustments (net)		1 016 073
1982	973 970	
1983	<u>42 103</u>	
Miscellaneous items refunded to UNDP (net)		65 329
1982	3 640	
1983	<u>61 689</u>	
		<u>101 969 696</u>
		103 029 356
<u>Less:</u> Expenditure for projects		
Disbursements (schedule 1)		78 958 969
1982	42 320 052	
1983	<u>36 638 917</u>	
Unliquidated Obligations (schedule 1) ...		15 407 661
1982	8 788 481	
1983	<u>6 619 180</u>	
For programme support costs (schedule 1) ..		13 185 998
1982	7 153 665	
1983	<u>6 032 333</u>	
		<u>107 552 628</u>
Balance as at 31 December 1983		(4 523 272)
<u>Represented by:</u>		
Cash at banks and on hand	31 644 596	
Accounts Receivable	<u>4 540 771</u>	
	36 385 369	
Less amounts held in respect of other technical co-operation activities included in the above	<u>25 709 541</u>	10 675 828
<u>Less:</u> Accounts payable	33 920 836	
1983 unliquidated obligations	6 987 805	
For projects	6 619 180	
For staff costs	<u>368 625</u>	
	40 908 641	
<u>Less:</u> Amounts held in respect of other technical co-operation activities	<u>25 709 541</u>	<u>15 199 100</u>
		(4 523 272)

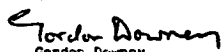
Certified Correct:

J. Aubert
Chief
Budget and Finance Branch

Approved:
For the Director-General
International Labour Office

F. von Mutius
Treasurer and Financial Controller

Audit Certificate

I have examined the above Statement and related Schedules 1 and 2. I have obtained all the information and explanations that I have required, and I certify, as a result of the audit, that in my opinion the above Statement and related schedules are correct.


Gordon Downey
Controller and Auditor General,
United Kingdom, External Auditor.

UNITED NATIONS DEVELOPMENT PROGRAMME

REPORT OF THE EXTERNAL AUDITOR ON THE STATEMENT
SHOWING AS AT 31 DECEMBER 1983 THE STATUS OF FUNDS ADVANCED TO
THE FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS
BY THE UNITED NATIONS DEVELOPMENT PROGRAMME

GENERAL

1. The Statement and supporting Schedules relating to the participation of the Food and Agriculture Organization of the United Nations in the United Nations Development Programme are in the form prescribed by UNDP. My examination of them has been carried out in conjunction with my audit of the regular budget and subsidiary funds of the Organization. The common accounting systems have been examined and tested, based on a joint audit programme agreed with the Office of Internal Audit and Inspection. I have examined and reviewed the internal audit reports relating to UNDP and have taken account of their findings. Their involvement in the joint audit programme has materially assisted my examination.

2. Statement I shows the resources made available to FAO by UNDP and the expenditure incurred by FAO during the 1982-1983 biennium. This reflects the change by FAO to biennial accounting with effect from 1 January 1982. Schedule 1 shows the total expenditure charged to projects by source of fund and programme support costs. Schedule 2 shows the expenditure by country, distinguishing between disbursements and unliquidated obligations.

FIELD AUDITS

3. During the biennium field audits by my staff extended to 40 UNDP-financed projects on visits to 11 countries in four regions. Depending upon the nature of the particular projects and their stage of development, my staff examined imprest account transactions; verified the existence of assets and valuables

such as cash, petrol coupons and inventory items; reviewed controls, particularly over the use of vehicles; and examined local purchase arrangements and procedures relating to the issue of field purchase orders. As a result, a number of routine or minor observations were raised, both oral and written, leading in certain cases to the issue of revised or new instructions to field staff and/or to changes in Headquarters procedures. I am generally satisfied with the financial control being exercised by field staff in the projects examined.

FIRST UNDP/FAO AID PROGRAMME TO AN ASIAN COUNTRY

4. During the biennium, as part of their continuing review of FAO's operational activities, my staff visited a country in Asia and examined the nine projects forming the country's first UNDP aid programme. This country was atypical in that, following a long period of war, it faced enormous problems of reconstruction, dislocation of population and difficulty over integrating North and South through a highly centralized administration. Its administration was not fully established when the projects were formulated and was unfamiliar with United Nations co-operation arrangements. But it is the largest single beneficiary of FAO/UNDP assistance. The nine projects, which were all at or near completion, had budgets ranging from \$0.8 million to \$8 million and contained an unusually high equipment component. The purposes of the visit were to check that prescribed procedures had been followed and to form an overall view of the efficiency and effectiveness of the implementation of the projects. The examination included a review of the relevant documents, interviews with staff and Government counterparts, and visits to project sites.

Formulation of projects

5. In 1976, a UNDP/FAO Programme Preparation mission visited the country for two weeks to assist the Government in formulating the programme. The mission considered only given problems or projects for which the need for assistance had been specified. FAO/UNDP proposed that only one of the nine projects be implemented, all of which involved assistance to research institutes. The individual project proposals were subsequently refined by formulation missions, but their investigations generally lasted only two to three weeks, and were thus limited in scope and depth.

Government inputs

6. The two Government inputs vital to the success of the projects were project management staff and buildings. Five projects began without full-time

international co-ordinators and for these day-to-day management was a Government responsibility. My staff found that in these cases, progress had been slow; work plans had not been produced; important activities such as construction work, appointment of consultants and nominations for training, had been delayed or not undertaken; and little information on project progress had been provided to UNDP/FAO in the form of six-monthly progress reports. Eventually, international co-ordinators were appointed for each of these projects, but only after long insistence by FAO with both Government and UNDP that the posts were essential.

7. Eight of the nine projects required offices, laboratories, or other buildings to be constructed or refurbished. My staff learned that construction materials were in short supply in the country and that the Government had faced serious difficulties in providing them. To assist one project, UNDP agreed, in November 1979, exceptionally to provide \$800,000 from project equipment budgets for the purchase of construction materials not available in the country. Construction in this case began in 1980 with a revised completion date of the end of 1981 but at the time of the audit visit, in April 1983, the building was still not finished. Another project, while awaiting a move to new buildings, continued to function in makeshift accommodation. The project formulation mission had recommended the purchase of pre-fabricated buildings for both of these projects to house especially sensitive scientific equipment, but this had been rejected.

8. There were also serious delays in planning and issuing necessary authorizations for building work. On three forestry projects, no construction work took place before the arrival of the project co-ordinators although the project documents specified adequate facilities as a prerequisite. On one of these projects, building work estimated to take 5 months took 18 months, although existing offices were repaired and used temporarily. On the other two projects, the work was completed 12-18 months later than planned. Such delays seriously affected project implementation. Lack of facilities delayed the installation of equipment and prevented consultants demonstrating its use; this in turn affected the training programme. On one project, an evaluation mission in June 1980 observed that 40 per cent of delivered equipment worth \$650,000 was still in storage awaiting adequate accommodation.

9. I asked FAO what action was open to it to persuade recipient Governments to fulfil their responsibilities for project inputs. The Organization informed me that, given the tripartite nature of technical co-operation projects, the most frequent means was through regular tripartite review meetings and monitoring visits and reviews. A key function of the FAO Representative was to maintain frequent and appropriate contact with Government officials to help ensure that essential inputs were provided promptly. Visits from FAO and UNDP headquarters

and meetings with the country's missions in Rome and New York were also used to stress the importance of meeting obligations. An ultimate means of persuasion was the withholding of UNDP/FAO inputs, especially delivery of equipment, until the conditions for their effective use were assured. This means had been used in two of the nine projects in the period 1978-1980.

10. I was pleased to note that the monitoring arrangements for these projects had brought to notice the problems encountered with Government inputs and that, while recognizing the real difficulties which the Governments of some developing countries face, FAO had taken remedial action when appropriate and possible.

Personnel

11. FAO had experienced various difficulties in recruiting and placing consultants for these projects, resulting in fewer consultancies than planned and a tendency for them to take place towards the end of the project. Consultancies were mostly of short duration, averaging about six weeks, and some were planned to involve two or three visits. The timing of such visits was therefore crucial to the effectiveness of the consultancies. My staff noted that delays in obtaining Government clearances for the proposed consultants, difficulties in recruiting suitable candidates and failure to provide relevant information or equipment at the right time, had given rise to at least 6 cases where some or all of the objectives of a consultancy had not been achieved.

12. In view of the cost of consultancy visits I consider that greater attention should be paid to co-ordinating them with the needs of the project. Speedier clearance of international experts by the Government is clearly desirable, and in some circumstances, it may be more cost-effective to postpone a consultant's visit than to let it proceed at the wrong time.

Training

13. The major problem affecting training was delay in implementing study tours and fellowships due to slowness by the Government in making nominations, largely due to a lack of candidates knowing a suitable language. On five projects, this meant that Government counterparts did not receive their training until late in the project's life or, in some cases, after it had finished. Whilst Government counterparts still benefitted from the knowledge acquired during training, my staff noted that the opportunity to apply this knowledge within the framework of the projects, and with the help of project co-ordinators and consultants, had in some cases been very limited and in others non-existent.

14. The Organization informed me that, for the future, it had requested senior field project officers for this country to initiate training programmes as early as possible, and to include language training to increase the availability of candidates for fellowships. I welcome these steps and trust that they will be taken elsewhere as necessary.

Equipment

15. Of the total expenditure to 31 December 1983 of \$16.4 million on the nine projects reviewed, \$12.3 million or 75 per cent related to the purchase of equipment, supplies and spares. My staff observed that, during the formulation stage of the projects, FAO had doubts about the Government's ability to make full use of the large volume of equipment it had requested, some of which was highly sophisticated. However, subsequent missions or consultancy visits advised on the detailed specification of this equipment and the Organization was able to secure worthwhile economies in some cases by cutting out duplications and suggesting more user-sharing arrangements. In other cases, priority was allocated to equipment of a general nature, which could be purchased immediately, while more sophisticated equipment, requiring specialized training or housing, was provided later.

16. In response to my enquiries about the use made of the highly sophisticated equipment in view of the serious delays in the provision of building and training facilities, the Organization told me that the availability of laboratories and of trained personnel had now improved. The Government was conscious of the need to increase its capacity to make full use of the equipment provided and FAO was giving continued emphasis to this in the training components of follow-up projects. I am satisfied from the evidence seen by my staff that, with the exception of the case noted in paragraphs 17 to 20 below, there was genuine need for the equipment supplied to these projects; and I welcome the Organization's assurance about the efforts being made to obtain the full benefits from it.

Utilization of fishing boats

17. In 1980, in answer to an enquiry by my predecessor about the need for all four fishing boats supplied to a shrimp culture project, FAO stated that its Fisheries Department expected four boats to be fully utilized because of their versatility and suitability for work inshore in support of all phases of the programme.

18. During their field visit in April 1983 my staff discovered that, despite these assurances, the boats had been of little or no use to the project, and that the project was not making full use of a number of other items supplied to it. The four boats had been purchased for surveys of shrimp spawning and fry grounds. In practice, owing mainly to lack of fuel or crews to operate them, they had averaged only 400 hours each at sea over a period of two-and-a-half years during which no worthwhile catch data had been obtained. According to the project's terminal report in 1983, the limited information obtained on shrimp fishery production and probable fry grounds was produced by a senior biologist by his own means and initiative, unaided by the shrimp boats.

19. In July 1981, a year after delivery, the boats had been moved to a University of Fisheries in another part of the country, following a proposal by the counterpart authority that the boats might be used for both project activities as part of the University's own training programme. In May 1982, however, the master-fisherman assigned by FAO to the project reported that the University considered that it had little use for the boats. The project's terminal report recommended the transfer of the boats to a fishing co-operative in a different area, where adequate shore facilities existed for the handling and disposal of fish.

20. The total cost of providing and operating the four shrimp boats within the project was \$451,000, some 44 per cent of total project expenditure. The Organization informed me that it was still satisfied that at the time of procurement, the purchase of all four boats had been justified on technical grounds that the operational difficulties which arose could not have been anticipated. In the light of this case I suggest that, where multiple purchase of expensive equipment is proposed for experimental purposes, consideration should be given to staging the purchases over a period long enough for the suitability and usefulness of the equipment to be confirmed in practice before the full quantity is ordered.

Control over equipment purchasing

21. In four of the nine projects examined, the documents included detailed lists of the equipment to be provided, whereas for the other five, only brief lists or broad categories were included. The primary responsibility for checking that purchases are in accordance with the project documentation rests with the country project officers for headquarters purchases, and with project co-ordinators for field purchases. Information on equipment purchases provided to headquarters from the field relates primarily to inventory control and is directed at equipment taken on charge rather than equipment ordered; while information provided in the standard six-monthly UNDP project progress reports relates to equipment delivered, or scheduled to be delivered, during the

reporting period. FAO requires no periodic cumulative summary comparing actual purchases with the items specified in the project document, but my staff found that on one project, a cumulative record of this kind was maintained. This enabled them to check that the equipment supplied was in accordance with the project documents, but they could not readily do so on the other projects.

22. I asked the Organization about the possibility of a control measure under which all equipment purchased for a project would be checked against the lists of equipment in the project document. It informed me that after lengthy deliberations by the Field Programme Committee, it was to introduce revised procedures, the key element of which was a project work plan which would provide the basic framework for administrative and financial monitoring and control, including ordering of equipment and supplies. Such work plans were to include lists of equipment drawn up, to the maximum extent possible, at the formulation stage and project managers would be required to report regularly on procurement according to these lists.

Future operation of project equipment

23. Although they were informed that the country was suffering from an acute shortage of foreign currency, which was expected to continue for several years, my staff learned during their field visit that no estimates could be provided of, nor had plans been made by the Government to provide, the necessary foreign currency to pay for the maintenance of equipment and provision of spare parts, or for the considerable volume of consumables needed. In reply to my enquiries, the Organization informed me that the foreign currency to ensure the continued operation of equipment supplied for eight of the nine projects would be guaranteed by proposed follow-up projects.

Revised FAO/UNDP procedures relating to equipment

24. An FAO Field Programme Circular in September 1982 promulgated a number of procedures to ensure the proper and optimum use of UNDP-provided equipment. These included: changes in project preparation and documentation to ensure that the necessary infrastructure would be ready to accommodate equipment; specific mention in the project documents of the provisions to be made by Governments for the renewal of equipment and for a continuing supply of consumables; modification of project terminal reports to include specific comments on the role of the United Nations system in the future use of UNDP equipment, preventive maintenance and replacement of parts; and provision of a right to examine the operation of projects with important equipment components for 10 years after project completion or during the realistic lifetime of the equipment. UNDP has asked executing agencies to bring these measures into use without delay.

25. The Organization told me that it was implementing these procedures through close consultations with Governments and UNDP Resident Representatives. I welcome this assurance as I consider that the audit findings outlined above clearly demonstrate the need for such improvements. In reply to my enquiry why the terminal reports prepared in 1983 for projects in the country my staff visited did not contain the type of information now required, FAO stated that this was largely because follow-up projects were expected to provide for the supply of spare parts and materials needed for the continued operation of imported equipment.

26. The Organization also told me that, as it had no formal right of future inspection under the original terms of these projects, it would consider establishing such a right in respect of equipment supplied under follow-up projects. However, I suggest that, within the framework of the proposed follow-on projects, the Organization should consider negotiating inspection rights retrospectively for equipment already supplied, in view of its high value and the doubts over the Government's capacity to finance its future operation and maintenance.

Overall conclusions

27. The difficult circumstances in which these projects were formulated largely denied FAO the opportunity of using its considerable experience to study the agricultural, forestry and fisheries sectors within the country so as to identify suitable areas for assistance and influence fully the planning of appropriate projects. This, combined with communication and liaison problems during implementation, clearly restricted the effectiveness of the projects in practice. However, FAO has taken steps to mitigate or overcome the difficulties as they have arisen; lessons have been learned which are of general application; and the prospects of efficient implementation and effective results for follow-on projects now seem much improved.

AQUACULTURE PROJECTS

28. In view of the ineffective use of resources in the shrimp culture project referred to in paragraphs 17 to 20 above, my staff paid particular attention to three other aquaculture projects they were able to examine during visits to countries in Africa and Asia: these and the project already mentioned exhibited common problems relating to construction work and the provision of economic analyses. My staff also examined the development of a computerized aquaculture information system which formed part of an Asian regional project.

Construction activities

29. Construction work was specified under all four country projects. Under the Asian shrimp culture project, the work, mainly earth-moving, was the responsibility of the Government, which did not undertake it at all.

30. Under an African coastal project, construction of a 50-hectare fish farm, intended to be completed in 18 months, began in June 1979. However, by June 1983, when work stopped because of a freeze on Government development funds, only seven ponds covering nine hectares had been completed. My staff found it difficult to establish how progress had been controlled and problems identified because the progress reports did not show the scheduled timing of activities and there was a lack of detailed work plans. The Organization informed me that no target dates had been set for the completion of the farm because of continued uncertainties about Government funding.

31. An aquaculture development project in an Asian country included the construction of additional ponds at a fisheries station. The project document stipulated that the design of these ponds should be finalized within four months whereupon construction work should commence. The project began in November 1981 but plans for the ponds were not finalized until December 1982. When my staff visited the site in October 1983, the construction work had not started, and it had been necessary to purchase portable ponds to enable the project's fishing activities to proceed.

32. At an African inland aquaculture project, 18 hectares of planned new ponds had to be reduced to nine hectares because of UNDP funding constraints. My staff noted, however, that reasons for delay in completing construction work, which was carried out under contract let by FAO, had been clearly identified and reported to FAO.

33. As delays in project implementation inevitably cost money because expensive staff resources are committed for additional periods, realistic assessments of construction periods are important, and they should include clear milestones by which to measure progress. I note that target dates had been set for the construction work under the African inland aquaculture project and that reasons for delays had been clearly reported. By contrast, on the coastal aquaculture project, there was an almost total absence of target dates; and the non-compliance with the target dates set for the Asia project produced little comment in progress reports.

34. The Organization informed me in reply to my enquiries that it doubted whether the provision of resident consultant engineers to supervise major construction projects of this type would be feasible, owing to funding limitations, and whether, in any case, it would necessarily ensure timely completion of the work.

35. I recommend that special care should be taken in estimating the time required for pond construction work in future and that detailed work plans should include specific target dates so that factors leading to delay can be recorded in the six-monthly project progress report, together with revised target completion dates.

Economic analyses

36. An important function of three of the aquaculture projects was to generate data on which to base sound economic analyses. The project manager of the African coastal project was asked in 1979 to keep detailed records of labour expended on construction work. However, he began to collect realistic cost data for construction activities only in 1983, following a Headquarters request for details. Headquarters considered the figures provided inadequate; and economic analyses, based on current values and actual production, were subsequently produced by a two-man mission from Headquarters in July 1983. In the case of the Asian development and training project, the project manager was asked in May 1982 to maintain detailed records of culture activities and to undertake an economic evaluation of operations at the end of each season of harvesting. But my staff noted that no such work had been carried out on the first harvest of 65 tons. Advice on the collection of appropriate data on the African inland project was provided by a fisheries technical officer in July 1981, but the data produced up to April 1983 were indicative only of the potential economic feasibility of each technique; data applicable to large-scale development are not expected to be available until commercial units now under construction are operational.

37. The Organization informed me that it was satisfied with the guidance provided to project managers on economic analysis, although data collection was impeded because financial limitations usually prevented the provision of suitable staff. It was exploring ways of fielding consultants to analyze the data collection by the projects.

Development of aquaculture information system

38. In 1979, an "Aquaculture Information Group" proposed that regional aquaculture centres should be equipped with data processing equipment to store bibliographic information and to process local data on production economics for

storage on the FAO Headquarters computer for global dissemination. FAO chose the Asia Region as the starting point for this aquaculture information system (AQUIS) and intended to extend it later to Africa and Latin America.

39. In November 1980, FAO ordered a sophisticated mini-computer, costing \$104,000, for a trial introduction of AQUIS by one of the lead centres in the Asia region. The computer was procured without competition because FAO considered it the only one available on which the software package needed for the bibliographic information could be used. Although late delivery delayed the commissioning of this computer until February 1984, FAO ordered in October 1981 three similar computers for the other three lead centres in the Asia region. These were installed in 1982 and 1983. My staff noted that FAO had recently purchased a different type of mini-computer for the African regional aquaculture centre at a cost of only \$40,000, and they were told that this had been made possible by the advent of alternative software packages.

40. The AQUIS data on a particular farm, farming operation or case study are known as a data unit, and FAO decided originally that AQUIS should have about 1,000 data units before its services were made available. By November 1983, however, AQUIS held only 596 data units, of which 92 per cent related to experimental work rather than production operations. The Organization told me that measures taken to increase the data coverage included the distribution of 3,500 data input forms to regional centres and offer of participation in the system to other institutes and agencies, provided they contributed to the data base.

41. In addition to investing \$440,000 in the four Asia region mini-computers, FAO spent some \$165,000 on the services of a systems analyst for the AQUIS project. In reply to my enquiries, FAO acknowledged that, due to the pioneering and innovative nature of AQUIS, revisions had to be made to the plans and to the total costs of setting up the system in the light of the experience gained in its development. While recognizing the pioneering nature of this project, I recommend that, before similar substantial investments are approved in future, a proper specification for the system should be worked out, alternative options costed, and a cost/benefit review undertaken in order to select the most advantageous course.

FAO ARRANGEMENTS FOR MONITORING AND EVALUATION OF UNDP FIELD PROJECTS

42. The economical, efficient and effective use of resources can only be assured if the progress and cost of the activities in which they are employed is monitored, and the results obtained are evaluated. During the biennium,

therefore, my staff paid particular attention to the evidence of FAO monitoring and evaluation at 26 of the 40 UNDP-financed projects visited in eight countries in the course of the audit programme, including those referred to in previous paragraphs; this was not a fully representative sample, as 9 of the projects were in the atypical country described in paragraph 4 above. They examined whether project documents properly defined immediate objectives and specifically called for work plans, progress reports, tripartite reviews and independent evaluations, thus providing a basis for monitoring and evaluation; and they observed how effectively the arrangements were operating.

Project formulation

43. In most cases, proper provision had been made in project documents for the projection of detailed work plans, six-monthly progress reporting, tripartite reviews and independent evaluations. My staff noted however that, contrary to the UNDP Policy and Procedures Manual, the objectives set out in the project documents were often insufficiently precise or quantifiable to allow their achievement to be measured or monitored. For example, the immediate objectives of the projects referred to in paragraph 3 above tended to relate to the provision of inputs, such as equipment, or activities such as assisting the development of institutes, which seemed to be regarded as ends in themselves. These findings coincided with those of FAO's own Review of Field Programmes 1982-1983, which judged as either poorly described or overly ambitious the immediate objectives in more than one quarter of the 56 UNDP projects evaluated.

44. I asked the Organization what action it had taken towards having project objectives drawn up in more precise, detailed and measurable terms. It told me that refining the description of objectives and outputs in projects was a continuing process in FAO. It recognized the close link between clarity and specificity of project objectives, the probability of attaining them and, hence, the success of the project. It also suggested that since Governments themselves were increasingly involved in drawing up project documents, it was inevitable that descriptions of objectives were sometimes inadequate. Moreover, it was sometimes simply not possible to clarify all objectives before a project started. Nevertheless, I note that FAO has established internal procedures, such as the project formulation task force, to improve project design and objectives. These procedures also aim, where possible, at improving projects initially formulated by Governments and I recommend that they be further strengthened so that FAO can give every assistance to Governments to ensure that project objectives are properly and clearly defined.

Monitoring

45. With regard to the manner in which monitoring operated in practice, my staff found evidence on Headquarters files of work plans for only 3 of the 26 projects examined; and enquiry in the major operating division suggested that there was frequently a lack of sufficiently detailed and standardized work plans. The Organization told me that a number of important recommendations made by the Field Programme Committee would be adopted during 1984, including the improvement and greater standardization of project work plans and their use. Further improvements were expected to result from continuing progress on computerization.

46. FAO's principal means of monitoring project performance is through scrutiny of six-monthly progress reports which project co-ordinators or national directors are required to submit in a standard format. Although there were some exceptions, the progress report on the projects examined were detailed and had been submitted in reasonable time; but, in part due to either the lack of or inadequacies in project work plans in the cases reviewed, they tended to concentrate on activities actually carried out, with little or no comment on those which had failed to take place, and they seldom related the actual activities to those prescribed in the project document, or to the project's immediate objectives. FAO confirmed that these findings were largely representative and told me that it had provided operating divisions with a checklist to control the completeness of progress reports. I welcome these measures to improve project reporting, but I suggest that FAO should also consider strengthening and standardizing instructions to field staff on the requirements for useful project progress reports.

47. My staff saw little evidence of reaction to progress reports by the country project officers in operating divisions, although technical officers in technical divisions were responding on individual technical issues. Furthermore, there was little sign that meetings of the multidisciplinary task forces established to oversee each project were being called to review project progress. FAO informed me that the mainly input-oriented format of the standard UNDP progress report did not generally call for a response from project officers. However, for large projects or those with particular problems, project officers in the agricultural operational department were under instruction to convene task force meetings on receipt of progress reports, and to copy the minutes of those meetings to field personnel as a substantive response.

48. My staff also observed that, in the project examined, tripartite reviews involving local discussion between the Government, UNDP and FAO had been held at intervals of about 18 months on average, compared with UNDP's preference for intervals of no more than 12 months, and ideally 6 months. FAO explained that because of the widely differing nature of projects, the procedure envisaged was not always appropriate, although it accepted that it was sound in principle. It told me that the United Nations system planned to strengthen tripartite reviews, and that new UNDP guidelines were being drafted to this effect, with the intention that this mechanism should replace many of the ad hoc reviews which currently took place. However, strict compliance with the review schedule was difficult because the number of UNDP-funded projects was large and it was a major task for the UNDP offices to handle such reviews, even on an annual basis. I recognize the constraints which have to be overcome in the holding of tripartite reviews, but I welcome the move to use this mechanism as a more systematic means of reviewing the progress of projects.

49. In reply to my enquiries as to the benefits resulting from the appointment of FAO country representatives, referred to in the External Auditor's Report on the 1976 Accounts, the Organization told me that improvements had resulted from representatives' participation in tripartite review meetings and from their briefing and debriefing missions; their regular staff meetings which often took place in the presence of responsible Government officials; their reviews of projects in connection with the Review of Field Programmes; their semi-annual reports which included observations on the progress of projects, and their regular visits to project sites. In the Organization's view, the risk of serious deficiencies in project execution remaining undetected had been significantly reduced as a result of the country representative scheme. Furthermore, representatives had been given a mandate to examine completed FAO projects to identify what additional inputs might be required to maintain their achievements.

Evaluation

50. As recorded in the 1982-1983 Review of Field Programmes, FAO evaluated the effectiveness of 56 UNDP projects during the biennium out of some 925 current projects. I appreciate that it is neither practicable nor necessary to evaluate each project, but it appears to me that it would be beneficial to evaluate a higher proportion of the total than has been the case hitherto.

51. In their review of evaluation procedures, my staff noted that independent evaluation had been carried out in six of the 26 projects they examined, including one which had been evaluated twice. Three others had been reviewed either in the course of the country programming missions or as part of thematic evaluations. One further project has been evaluated subsequently. In all but

two of the projects reviewed by my staff, the project document contained a standard paragraph, taken from UNDP's Policies and Procedures Manual, providing for evaluation but not prescribing the timing and terms of reference. Moreover, the Manual provides for scheduled evaluations to be deferred or dispensed with if all three parties (UNDP, FAO and the Government) agree. I therefore asked whether FAO had considered the need for project documents to include target dates for evaluations. The Organization told me that it would not always be realistic to include target dates, and that evaluation should take place as and when needed. It added that UNDP was currently trying to rationalize the evaluation process by establishing evaluation plans, the practicality of which had still to be established. Notwithstanding FAO's view, I see merit in the time-tabling of evaluation in project work plans, as envisaged by UNDP's Policies and Procedures Manual, to ensure that the need for it is promptly and consciously considered.

52. My staff observed that members of FAO's Evaluation Service in the Office of Programme, Budget and Evaluation (PBE) had participated in only three of the seven evaluations undertaken on the projects reviewed. I acknowledge that it is unrealistic to expect PBE to have the resources to participate in every evaluation mission, but I am pleased to note that FAO has decided to refer all proposals for field evaluations to PBE to clear the terms of reference and to determine whether PBE participation is warranted.

Applying the results of monitoring and evaluation

53. As a result of my staff's examination, I consider that FAO is equipped to apply the lessons learned from monitoring and evaluation of field projects; but the extent to which it can do so in practice seems to me to be limited by the fact that many project proposals reach the Organization in an advanced stage of formulation. I trust, therefore, that Governments will recognize the benefits to be gained, in terms of project design and ultimate achievement, from FAO's wide experience of handling field projects in many different countries and circumstances, and will make a practice of consulting it at an early stage in project formulation.

LOSSES, ETC.

54. I have examined, with satisfactory results, details of compensation payments, losses and writes-off to the value of \$575,667 submitted to me by the Director-General with the Account in accordance with Financial Regulation 10.4. I am satisfied with the information and explanations which I have obtained about these cases and I have no observations to make.

SUMMARY OF FINDING AND RECOMMENDATIONS

55. My findings and recommendations may be summarized as follows:

1. First FAO/UNDP aid programme to an Asian country

An examination of the first UNDP aid programme to an Asian country, involving nine projects, each with a high equipment component, led me to conclude that FAO was largely denied the opportunity of using its considerable experience to identify suitable areas for assistance and influence fully the planning of appropriate projects (see para. 27); but had taken steps to mitigate or overcome the difficulties as they had arisen, resulting in improved prospects for the follow-on projects, and had taken other remedial action where appropriate and possible (see paras. 10 and 27). With one particular exception, there was a genuine need for most of the equipment supplied to these projects (see para. 16); and the monitoring arrangements had brought to notice problems encountered with Government inputs (see para. 10).

However, this exercise also suggested a number of lessons which could be applied there or elsewhere, and my recommendations are that:

- (i) Greater attention should be paid to co-ordinating consultancy visits with the needs of projects (see para. 13);
- (ii) The training programme element of projects should be initiated as early as possible, and include language training where necessary, to increase the availability of candidates for fellowships (see para. 15);
- (iii) Where multiple purchase of expensive equipment is proposed for experimental purposes, consideration should be given to staging the purchases in order to confirm the suitability and usefulness of the equipment before the full quantity is ordered (see para. 20);
- (iv) FAO has agreed that work plans should include lists of equipment drawn up at the formulation stage and project managers should report regularly on procurement according to these lists (see para. 22);
- (v) The Organization should consider seeking retrospectively a right to post-project inspection in respect of major equipment items supplied under this programme (see para. 26);

2. Aquaculture projects

In view of the substantial failure of a shrimp culture project which was one of the nine projects forming the first UNDP aid programme to this Asian Country, my staff paid particular attention to those other aquaculture projects which came within their programme of visits. Arising from that examination, my recommendations are:

- (i) Special care should be taken in estimating the time required for pond construction work in future, and work plans should include specific target dates so that factors leading to delay can be recorded in project progress reports, together with revised target completion dates (see para. 35);
- (ii) Before programmes similar to AQUIS requiring substantial investment are entered into in future, a proper specification should be worked out, alternative options costed and a cost/benefit review undertaken in order to select the most advantageous course (see para. 41).

3. FAO arrangements for monitoring and evaluation of UNDP field projects

Proper monitoring of progress and evaluation of effectiveness are essential to the economical, efficient and effective use of resources. My examination has shown that FAO is equipped to apply the lessons learned from monitoring and evaluation although its ability to do so may be limited when projects reached it in an advanced stage of formulation. Examination of the monitoring and evaluation for 26 of the 40 UNDP-financed projects my staff visited during the 1982-1983 biennium has led to the following recommendations:.

- (i) FAO should give every assistance to Governments to ensure that project objectives are properly and clearly defined (see para. 44);
- (ii) FAO should continue to strengthen and standardize instructions to field staff on the material to be included on progress reports (see para. 46);
- (iii) Evaluation should be time-tabled in project work plans, as envisaged by UNDP's Policies and Procedures Manual, to ensure that the need for it is promptly and consciously considered (see para. 51).

56. The examination by my staff of these projects and subsequent review of headquarters papers showed that the FAO management has under review through the Field Programme Committee: the current introduction of improved and standardized work plans for all major projects (see paras. 22 and 45); the need for the full listing of equipment to the extent possible (see para. 22); and the further improvement in definition of project objectives (see para. 43). Following consultation with FAO, I intend that, during the course of the next biennium, my staff will follow through their examination to include these matters.

(Signed) GORDON DOWNEY
(Comptroller and Auditor General, United Kingdom)
External Auditor

16 August 1984

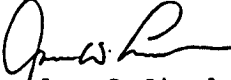
STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME
 FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

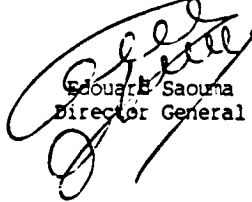
Status of Funds as at 31 December 1983
 (Expressed in US dollars)

<u>Operating Fund</u>	\$	\$
Balance at 1 January 1982		(30 561 405)
Add: Cash drawings from UNDP	185 824 222	
IOVs and other charges (net)	130 773 704	
Miscellaneous income and exchange adjustments (net)	(2 298 253)	
Miscellaneous items refunded to UNDP (net)	<u>403 687</u>	<u>314 703 360</u>
		284 141 955
Less: Expenditure during 1982-83		
For projects		
Disbursements (Schedule 1)	239 149 231	
Unliquidated Obligations (Schedule 1)	24 933 428	
For programme support costs (Schedule 1)	<u>35 781 151</u>	<u>299 863 810</u>
Balance at 31 December 1983		(15 721 855)
Represented by:		
Cash at banks, on hand and in transit		10 061 487
Accounts receivable		<u>5 820 402</u>
		15 881 889
Accounts payable	6 670 316	
1982-83 Unliquidated Obligations	<u>24 933 428</u>	<u>31 603 744</u>
		(15 721 855)

CERTIFIED CORRECT


 James D. Lincoln
 Director
 Financial Services Division

APPROVED


 Edouard Saourha
 Director General

/...

UNITED NATIONS DEVELOPMENT PROGRAMME

REPORT OF THE EXTERNAL AUDITOR ON THE STATEMENT SHOWING
AS AT 31 DECEMBER 1983 THE STATUS OF FUNDS ADVANCED TO
THE UNITED NATIONS EDUCATIONAL, SCIENTIFIC AND CULTURAL ORGANIZATION
BY THE UNITED NATIONS DEVELOPMENT PROGRAMME

General

1. The Statement and supporting Schedules relating to the participation of the United Nations Educational, Scientific and Cultural Organization (UNESCO) in the United Nations Development Programme are in the form prescribed by UNDP. My examination of them has been carried out in conjunction with my audit of the regular budget and subsidiary funds of the Organization. This included a general review of the accounting procedures and such tests of the accounting records as I considered necessary. I have also examined the relevant internal audit reports.

2. Statement I shows the resources made available to UNESCO by UNDP in 1983, charges to projects during the year for goods and services and for programme support costs at agreed rates, and the balance of funds held by UNESCO at 31 December 1983. Statement I is supported by two Schedules: Schedule I showing aggregate expenditure by source of fund, and programme support costs; and Schedule 2 showing expenditure by country, distinguishing between disbursements and unliquidated obligations.

Programme support costs

3. Under the transitional arrangements for UNDP programme support costs for the years 1982-1986 referred to in my Report last year, UNESCO received reimbursement of \$5,804,946, based on 14 per cent of project expenditure, since this was less than the US dollar amount reimbursed in 1981.

Review of UNESCO-executed UNDP projects in the Asia and Pacific region

4. During 1983, as part of their continuing review of UNESCO's operational activities, my staff visited a country in Asia and the Pacific region and examined 11 UNDP projects being executed by UNESCO in the education and scientific fields. The projects selected were in various stages of completion and had budgets ranging from \$0.22 million to \$2 million. None of the projects had resident UNESCO personnel; the day-to-day running of the projects resting with national project directors, supported where appropriate by international consultants on short-term appointments. The purpose of the visit was to form an overall view of the efficiency and effectiveness of the implementation of these projects, which depend on inputs from both the Government and UNESCO; and to examine the monitoring arrangements for projects being executed without resident UNESCO experts. The examination included a review of the relevant documentation, interviews with the staff concerned and visits to the project sites.

Government inputs

5. My Report on UNESCO's UNDP accounts for 1982 and my predecessor's for 1980 recorded several instances where failure by recipient Governments to provide promised inputs on time had hampered project execution. My staff were pleased to note that the Government of the country visited afforded priority to UNDP-financed projects when allocating resources, and that Government inputs had generally come forward on time and had frequently exceeded their formal obligations. The main exception was the capital construction programme for educational establishments, where delays had occurred, but the effect on programme implementation had been minimized by provision of satisfactory temporary accommodation. The Government had also failed to complete on time an audio-visual centre as part of a project for strengthening a Foreign Languages Institute; and this resulted in some equipment provided by UNESCO from project funds remaining unused for 18 months.

UNESCO inputs

6. The position regarding UNESCO's inputs was less satisfactory. My staff noted several instances where implementation had been delayed because of UNESCO's inability to meet certain obligations on time, although the Organization is of the opinion that the ultimate achievement of objectives will not have been prejudiced by it.

7. The most common problem was the failure to provide high-technology or commercially sensitive equipment within the time-scale set out in the project work plans, primarily due to difficulty in obtaining export licences. I suggest that there is a need for UNDP to explore, with the Governments of supplying countries, how decisions on export licences for such equipment might be expedited. Meanwhile, it will be necessary for UNESCO to allow, in its project timetabling, for a wider margin of delay, if the delivery of equipment of this type is to be co-ordinated with other inputs.

Fellowships

8. Although my staff found the implementation of fellowships generally satisfactory, they noted four projects where delay in finalizing arrangements had impeded progress. In one case, only two man-months of fellowships had been completed by October 1983 out of 36 man-months planned for the years 1982 and 1983. In the other three cases, none of the 114 man-months of fellowships planned for the two years had commenced. The Organization informed me that the delays stemmed from the Government's inability to produce sufficient candidates with the linguistic abilities to enable them to study in other countries. The secretariat expect this to remain a problem. My staff noted, however, that the arrangements for the recipients of fellowships to report on the value of their courses were working well and that the national authorities organized workshops and seminars to give returning fellows the opportunity to disseminate their newly acquired knowledge to colleagues. The arrangements for study tours were also satisfactory. Language was not a problem because interpretation was provided.

Consultancies

9. Some difficulties were noted in the recruitment of consultants, due to the specialized nature of some of the assignments and the need to co-ordinate consultancies with other project inputs. In general, the national project directors were satisfied with both the activities and the benefits accruing from the consultants' missions.

Improvement of implementation

10. In view of the effect of delays in the provision of facilities and staff on efficient implementation, I asked whether UNESCO had any proposals for alleviating these difficulties. It told me that these problems were a constant concern to it and to UNDP. Some of the problems defied a solution at agency level because of national exigencies. The secretariat, however, was constantly striving to improve procedures and performance by setting realistic timetables in project documents and taking remedial action to solve problems as they were identified.

Project progress reports

11. Since there are no resident UNESCO personnel, the national project directors are required to submit six-monthly progress reports so that project officers at Headquarters can identify problems as they arise and take prompt remedial action. For one of the 11 projects examined, no progress report had been received by Headquarters at the time of the audit and, in the other cases, the first six-monthly project reports had been delayed on average some eight months beyond the normal period for preparation and submission. The reports received did not generally appear to my staff to be sufficiently informative to permit effective monitoring. This view was supported by the comment of one programme division that the progress reports for two projects covered only the technical implementation and provided no substantive information to show whether the inputs were achieving their purposes or whether revised inputs might achieve better results.

12. In an effort to overcome the problem of late and uninformative progress reports, the local UNDP office issued guidelines to national project directors in January 1983. Whilst the standard UNDP report procedure was still to apply in principle, the guidelines allowed project directors to concentrate on only two of the five parts of the standard report, giving specific information on Government and UNESCO inputs and activities, together with their conclusions regarding the progress of the project.

13. My staff were surprised at the number of instances they found during their visits where the implementation of projects was being impeded by factors which had not been identified to UNESCO in progress reports. In reply to my enquiries, the Organization agreed that progress reporting from the country concerned had not been satisfactory, largely because national project directors had little experience of reporting in the form required by UNDP and project staff were not usually able to write in one of the Organization's working languages. However, other documents and information had been available to supplement the project reports. Comprehensive records were kept in the national language and relevant parts of these were translated for project inspection by UNESCO and UNDP and for the tripartite reviews. It considered that the simplified reporting procedures introduced in January 1983 suited the local situation. Further information was provided in consultants' reports and excellent communications existed between the national project co-ordination unit, UNDP and UNESCO.

14. It seems to me, however, that the periodic reviews which are a normal part of the UNDP monitoring system do not remove the need for UNESCO to receive more frequent information so it can quickly identify problems and find solutions. A UNESCO representative in science and technology has recently been appointed in the country and UNESCO expects him to help to improve reporting on the science projects. For the other projects, I recommend that consideration be given to more frequent visits by staff from Headquarters or regional offices and to providing funds within project budgets for translation of progress reports in the local language into a UNESCO working language.

General conclusions

15. My staff found that there was an approved policy basis for UNESCO undertaking the projects, and that they were covered by valid project documents with clearly defined objectives consistent with the Government's stated development objectives. The documents constituted a suitable basis for measuring implementation and subsequently evaluating the results. Local controls over the projects examined were generally satisfactory.

16. Of the 11 projects reviewed, none had been completed, or were expected to be completed, on time. My staff concluded that this was due more to unrealistic timetabling than to lax implementation. They considered that four of the projects examined had substantially achieved or were on course to achieve their objectives. They were uncertain of the prospects of the other seven projects, which were all still in progress, but the Organization told me that it considered that the objectives of five of the projects would be achieved ultimately. Doubts remain about the remaining two projects. In my view, one of these has encountered problems which make it unlikely to achieve all its objectives before its termination in mid-1984.

17. It seems to me that the only avoidable failure or delay in achieving objectives arose from weakness in communication; and my recommendation in paragraph 14 above is intended to overcome this problem for the future. The Organization informed me that the experience gained in the implementation of these projects would greatly facilitate future operations in the country.

18. I wish to record my appreciation of the willing co-operation of the officers of the Organization during my audit.

21 May 1984

(Signed) GORDON DOWNEY
(Comptroller and Auditor General, United Kingdom)
External Auditor

/...

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME
(Participating and Executing Agency: unesco)Status of Funds as at 31 December 1983
(Expressed in US dollars)

	\$	\$
<u>OPERATING FUND</u>		
Balance at 1 January 1983		(12 390 440)
Add:		
Cash drawings from UNDP	31 653 000	
IOVs and other charges (net)	20 702 965	
Miscellaneous income and exchange adjustments (net)	(263 261)	
Miscellaneous items refunded to UNDP (net)	<u>273 856</u>	<u>52 366 560</u>
		39 976 120
Less:		
Expenditure during 1983		
For projects		
Disbursements (Schedule 1)	30 594 867	
Unliquidated obligations (Schedule 1)	11 228 054	
For programme support costs (Schedule 1)	<u>5 804 946</u>	<u>47 627 867</u>
Balance at 31 December 1983		<u><u>(7 651 747)</u></u>
Represented by:		
Cash at banks, on hand and in transit	1 692 563	
Accounts receivable	<u>5 303 099</u>	<u>6 995 662</u>
		6 995 662
Less:		
Accounts payable	3 419 355	
1983 Unliquidated Obligations	<u>11 228 054</u>	<u>14 647 409</u>
		<u><u>(7 651 747)</u></u>

Certified correct

Gilles de Leiris
Gilles de Leiris
Comptroller

Approved

A. M. Mahtar
Amadou-Mahtar M'Bow
Director-General

AUDIT CERTIFICATE

I have examined the above Statement and related Schedules 1 and 2. I have obtained all the information and explanations that I have required, and I certify, as a result of the audit, that in my opinion the above Statement and related Schedules 1 and 2 are correct.

GD

Gordon Downey
Gordon Downey
(Comptroller and Auditor General,
United Kingdom)
External Auditor

INTERNATIONAL CIVIL AVIATION ORGANIZATION
UNITED NATIONS DEVELOPMENT PROGRAMME

Notes to the Statement of Status of Funds

(Statement VII)

31 December 1983

1. Nature of Activities

Under the United Nations Development Programme (UNDP), the execution of projects related to civil aviation is delegated to the International Civil Aviation Organization (ICAO) and financed by UNDP.

2. Significant Accounting Policies

(a) Method of Accounting

The Statement of the Status of Funds has been prepared on the accrual basis and in accordance with the format and directives prescribed by UNDP. The accounts and records of ICAO, as Executing Agency for UNDP, are maintained, and the financial statements are presented, in United States dollars. All other currencies are converted into United States dollars at exchange rates provided by UNDP.

(b) Expenditures for Projects

Expenditures include disbursements and unliquidated obligations for which funds have been provided in approved project budgets in the current year. Unliquidated obligations include unpaid amounts as follows:

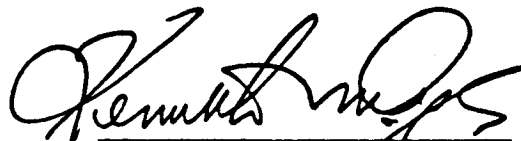
- for experts: on the basis of services rendered to the end of the year.
- for equipment: on the basis of purchase orders or signed contractual agreements issued to the end of the year.
- for training: on the basis of the costs incurred for fellowships to the end of the year.
- for sub-contracts: on the basis of the payment schedule included in the contract with the sub-contractor.

(c) Programme Support Costs

Overhead expenditure is based on a fixed rate determined by UNDP and is calculated on actual project costs.

AUDIT OPINION

I have examined the Status of Funds of the International Civil Aviation Organization as Executing Agency of the United Nations Development Programme, Statement VII and relevant schedules for the financial period ended 31 December 1983. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances. As a result of the examination, I am of the opinion that the accompanying statement properly reflects the recorded financial transactions for the financial period, which transactions were in accordance with the Financial Regulations and Rules of the United Nations Development Programme and legislative authority, and presents fairly the financial position as at 31 December 1983, in conformity with the accounting policies described in Note 2.



Kenneth M. Dye, F.C.A.
(Auditor General of Canada)
External Auditor

16 May 1984

INTERNATIONAL CIVIL AVIATION ORGANIZATION
UNITED NATIONS DEVELOPMENT PROGRAMME
STATEMENT OF THE STATUS OF FUNDS AS AT 31 DECEMBER 1983
(in United States Dollars)

1 9 8 3

1 9 8 2

OPERATING FUND

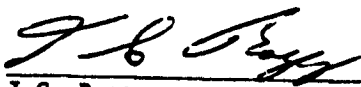
	1 9 8 3	1 9 8 2
Balance at beginning of year	(7 880 110)	(9 300 491)
Add: Cash drawings from UNDP	25 364 000	33 490 552
UNDP inter-office vouchers and other charges	9 411 385	8 342 929
Miscellaneous income and exchange adjustments	116 735	(157 309)
Miscellaneous items to be refunded to UNDP	<u>13 142</u>	<u>19 342</u>
	24 905 262	41 695 514
	27 025 152	32 395 023
Deduct: Expenditures during the year (Schedules E,F,G)		
For projects		
Disbursements	21 618 629	23 653 900
Unliquidated Obligations	6 014 384	11 679 536
For programme support costs	<u>3 865 403</u>	<u>4 941 697</u>
Balance at end of year	31 498 416	40 275 133
	(4 473 264)	(7 880 110)

REPRESENTED BY:

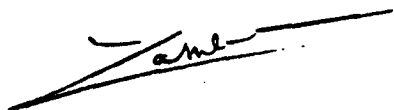
Cash in banks, on hand and in transit	3 419 523	6 159 495
Due from other Funds:		
AOSC Fund	547 972	717 519
ICAO General Fund	625 602	128 193
Aeronautical Technical Training Fund	13	5 556
Governments' Trust Fund accounts	365 685	431 446
UN/UNDP Trust Fund - Lesotho	5 960	3 656
UN/UNDP Trust Fund - Namibia	119 684	30 415
UN/UNDP Trust Fund - Swaziland	<u>4 087</u>	<u>1 811</u>
Accounts receivable and sundry debit balances	<u>1 194 995</u>	<u>1 684 990</u>
	6 283 521	9 163 081
Less: Due to other Funds:		
Termination Payment Fund	404 342	43 572
Governments' Trust Fund accounts	<u>345 242</u>	<u>724 174</u>
Accounts payable and sundry credit balances	3 992 817	4 595 909
Unliquidated obligations - current year	<u>6 014 384</u>	<u>11 679 536</u>
	10 756 785	17 043 191
	(4 473 264)	(7 880 110)

Certified correct:

Approved:



I.C. Bogg
 Chief, Finance Branch



Yves Lambert
 Secretary General

UNITED NATIONS DEVELOPMENT PROGRAMME

REPORT OF THE EXTERNAL AUDITOR ON THE STATEMENT
SHOWING AS AT 31 DECEMBER 1983 THE STATUS OF FUNDS
ADVANCED TO THE WORLD HEALTH ORGANIZATION BY THE
UNITED NATIONS DEVELOPMENT PROGRAMME
FOR THE FINANCIAL PERIOD 1 JANUARY 1982 to 31 DECEMBER 1983

1. My audit of the Statement and supporting Schedules relating to the participation of the World Health Organization in the United Nations Development Programme has been carried out in accordance with the Financial Regulations of WHO and UNDP. It included a general review of the accounting procedures and such tests of the accounting records as I considered necessary, and was performed in conjunction with my audit of the regular budget and subsidiary funds of the Organization. I have also examined the relevant internal audit reports.
2. Statement I shows that the resources made available to WHO by UNDP for 1982-1983 were \$46,315,114 and that expenditure incurred by WHO during the period on goods and services for projects was \$36,916,382. Programme support costs (overheads) charged at agreed rates amounted to \$4,951,284 making total expenditure by WHO on UNDP's behalf of \$41,867,666. Obligations remaining unliquidated at 31 December 1983, including some obligations relating to earlier biennia, amounted to \$4,668,946. At the end of the year, WHO held a balance for UNDP of \$4,447,448.
3. During 1982-1983, my staff continued an examination of WHO's procedures for programme and project monitoring and evaluation. Visits were made to 25 projects in the Eastern Mediterranean and South-East Asia Regions of which six were wholly or partly funded by UNDP, and a further 35 projects in the African Region were reviewed, of which 11 were wholly or partly funded by UNDP. The results of this examination are set out in my Report on WHO's Accounts for 1982-1983.
4. I wish to record my appreciation of the willing co-operation of the officers of the Organization during my audit.

(Signed) Gordon Downey
(Comptroller and Auditor General, United Kingdom)
External Auditor

Extracts of report: Financial report and
audited financial statements for the financial period
1 January 1982-31 December 1983 and
Reports of the External Auditor to the
[thirty-seventh] World Health Assembly

Project control, monitoring and evaluation in the region

39. My staff found, for all projects they examined in the Eastern Mediterranean and South-East Asia regions, that there was evidence of a sound policy basis and that except for one project, there were valid project documents suitable for controlling implementation. Adequate budgetary control procedures were being applied and progress reports to the Regional Office were, in general, in conformity with regional procedures. In both regions, the project officers were conscious of the need for evaluation, but the methods used were not always effective. There was a tendency for evaluation reports to list activities undertaken, rather than to assess the effectiveness of those activities in meeting project targets and objectives. My staff also noted that evaluation was not often made independently by an officer not directly involved in the implementation of the project.

40. The Regional Office for the Eastern Mediterranean informed me that, in order to improve project evaluation, more training was required for both national project managers and WHO field staff in the Managerial Process for National Health Development, and particularly in evaluation techniques. With this aim in mind, a series of intercountry and national workshops was being undertaken.

41. I was told by the Regional Office for South-East Asia that it was satisfied with the criteria used for reporting on project activities, since these criteria conformed with the guiding principles set out in the publication Health programme evaluation (WHO "Health for All" Series, No. 6). It also stated that it expected an increase in the number of independent evaluations of programmes and retrospective analyses of selected projects.

42. I welcome the assurance given and the measures proposed by these two regional offices and I recommend that reports on project activities should clearly state the objectives of the projects and the precise criteria used for measuring progress towards achieving those objectives.

Project implementation and achievement of objectives

46. As a result of the general absence of project information at the Regional Office for Africa, and as my staff did not visit individual country projects, they did not reach any general conclusions about control of project implementation or the achievement of project objectives in that region. My comments on these matters are therefore confined to the outcome of my staff's examinations in the Eastern Mediterranean and South-East Asia regions.

47. The success of a project depends to a large extent on the sponsoring bodies fulfilling their obligations under the terms of the project document. My staff's examination of the 25 projects in the Eastern Mediterranean and South-East Asia regions indicated that both WHO and Government inputs were generally provided as agreed. Problems had, however, arisen on three projects in the Eastern Mediterranean. In the first of these, the Government had failed to provide adequate protection for 70 tonnes of WHO-supplied insecticide, valued at approximately \$ 115,000, which was lost through deterioration. In the second case, WHO-supplied electrical equipment had been found to be incomplete or incompatible with the local power supply, and in the third instance the Government had been unable to provide the agreed number of suitable staff for training or to retain staff once they had been trained. Two other projects in the region, in which substantial investments had been made, were in potentially difficult situations as a result of the withdrawal of UNDP support. The Regional Office informed me, however, that both projects, which had made good progress towards their objectives, were to be supported by funds from other sources to enable them to continue. The heavy investment and good results achieved so far should not, therefore, be jeopardized.

48. In the South-East Asia region, difficulties had arisen over the recruitment of WHO staff for three projects, but these had eventually been resolved without serious disruption.

49. In both the Eastern Mediterranean and South-East Asia regions, most of the projects were making good or reasonable progress towards achieving their principal objectives. For one project in the Eastern Mediterranean region, however, the absence of suitable documentation made it difficult to assess progress, and in response to my enquiry, the region, in conjunction with the Government, undertook to prepare a project document. One other project in the region appeared unlikely to achieve its main objective within the approved time-scale because of a lack of national interest and a failure to make the best use of WHO staff. The region informed me that, following discussion with the Government, the project would now operate under new national management and

WHO assistance would be limited mainly to the provision of supplies and fellowships. For all five projects examined in one of the countries of the region, an important long-term objective was the strengthening of institutions, but in four of the projects very little progress had been made towards meeting this objective. In reply to my enquiry as to what action was proposed to deal with this situation the region informed me that it would take some time before noticeable achievements could be attained but that efforts would be made to obtain improvements in many programme areas, including those to which I had drawn attention.

General

50. My conclusions from the findings of my staff and from information and explanations supplied by the three regional offices were that levels of achievement in the monitoring and evaluation of programmes and projects varied considerably in the 1982-1983 biennium. But the staff of all three offices appeared to be fully aware of the importance of monitoring and evaluation and of the related need for up-to-date and reliable information. They were planning to make substantial improvements to come into operation for the Seventh General Programme of Work starting in 1984, and I trust that due priority will be given to these early in the 1984-1985 biennium.

51. My general conclusion on the control of programme and project implementation and the achievement of objectives based on my staff's limited examination in the Eastern Mediterranean and South-East Asia regions is that the standard reached was good. The control of no one programme was noticeably better or worse than the others and no general problems relating to individual programmes came to their notice. Problems and difficulties that were noted tended to relate to individual countries or to the region concerned.

UNITED NATIONS DEVELOPMENT PROGRAMME

WORLD HEALTH ORGANIZATION

Statement IStatus of funds for the financial period 1 January 1982 - 31 December 1983

(expressed in US dollars)

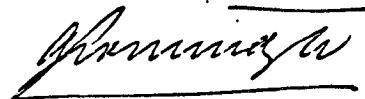
OPERATING FUND

<u>Balance at 1 January 1982</u>			2 331 174
<u>Add:</u>			
Cash drawings from UNDP			25 986 000
Inter-office vouchers and other charges (net)			17 659 662
Miscellaneous income and exchange adjustments (net)			(73 411)
Miscellaneous items refunded to UNDP (net)			411 689
			<u>46 315 114</u>
<u>Deduct:</u>			
Expenditure during 1982-1983 (Schedule 1)			
For projects (Schedule 2)			
Disbursements	26 307 628		
Unliquidated obligations	10 608 754	36 916 382	
			<u>41 867 666</u>
For programme support costs		4 951 284	<u>41 867 666</u>
<u>Balance at 31 December 1983</u>			<u><u>4 447 448</u></u>
<u>Represented by:</u>			
Accounts receivable (due by WHO)			<u><u>4 447 448</u></u>

CERTIFIED CORRECT


René M. Marti
Chief, Accounts

APPROVED


Arie Groenendijk
Director, Budget and Finance

AD I have examined the above account and supporting schedules. I have obtained all the information and explanations that I have required, and I certify, as a result of the audit, that in my opinion the above account is correct.


Gordon Downey
(Comptroller and Auditor General, United Kingdom)
External Auditor



1801 K STREET N.W.
WASHINGTON, DC 20006
202 296-0800

July 20, 1984

International Bank for Reconstruction
and Development

Dear Sirs:

We have completed our examinations of the financial statements for the year ended December 31, 1983 for certain United Nations Development Programme (UNDP) Projects for which the International Bank for Reconstruction and Development (the World Bank) acts as Executing Agency. Our report appears in the financial statements provided under separate cover. During our examination World Bank management imposed no restrictions on the method or extent of our testing. We were given access to all records, documents and other supporting data which we requested and were furnished with all information and explanations which we required. We received full cooperation from all officers and staff of the World Bank.

For the 1983 examination, the Governing Council of the UNDP requested that the Administrator expand the nature and reporting requirements of the existing external audit examinations being performed on the accounts of executing agencies. This report responds to that request with regard to UNDP projects for which the World Bank acts as executing agency. The report clarifies the nature and scope of the examination covered by our report on the financial statements for the year ended December 31, 1983, and describes the supplemental procedures we provided to address the General Council's concerns.

Yours very truly,

Price Waterhouse

The International Bank for Reconstruction
and Development as executing agency for certain
United Nations Development Programme projects
report on the nature and scope of audit
and other services provided
for the year ended 31 December 1983

Nature and scope of audit services performed

As independent accountants, we conducted an examination of the financial statements for certain United Nations Development Programme (UNDP) projects for which the International Bank for Reconstruction and Development (the World Bank) acts as executing agency. As a result of this examination, we are satisfied that the financial statements present fairly the status of funds and expenditures of the organization for the year ended 31 December 1983. Accordingly, we have issued our audit report dated 20 April 1984 on these financial statements.

Our audit report on the 1983 UNDP financial statements is a special report in accordance with Statement on Auditing Standards No. 14, issued by the American Institute of Certified Public Accountants for financial statements prepared on a basis of accounting prescribed by a regulatory agency solely for filing with that agency. This type of report is appropriate as the United Nations requires the World Bank to utilize accounting practices which differ from generally accepted accounting principles.

No significant differences were noted in financial statement format and there were no significant changes in accounting procedures from the prior year. The World Bank continues to use the delivery method of accrual rather than the commitment method generally required by UNDP of its agencies. UNDP has deemed this method as acceptable in prior years and accepted it again for 1983.

Prior to issuing our report, we conducted an examination in accordance with generally accepted auditing standards. These standards require that we: (a) perform a study and evaluation of the existing internal controls to determine the extent to which we can rely on the controls to provide assurance as to the validity of the recorded transactions or balances; and, (b) obtain sufficient competent evidential matter through inspection of the accounting records and underlying documentation, observation, inquiries, analytical reviews and confirmations to afford a reasonable basis for an opinion regarding the financial statements.

The World Bank utilizes many of its own personnel and accounting procedures (including automated system) to process the accounting information for UNDP projects for which the World Bank acts as executing agency. Examples are the general ledger system and the bank reconciliation personnel and procedures. In light of this and the fact that these procedures and the related controls have been satisfactorily tested during our audit of the World Bank, our scope of testing is appropriately adjusted.

Review of the system of internal accounting controls

As part of our examination, we make a study and evaluation of the system of internal accounting controls, to the extent we consider necessary to evaluate the adequacy of our planned audit procedures. The purpose of our study and evaluation of internal accounting controls is to determine the nature, timing and extent of other auditing procedures that we consider necessary for expressing an opinion on the financial statements. Since our study and evaluation is for this limited purpose, it would not necessarily address all of the financial controls or disclose all of the material weaknesses in the systems.

However, as a result of this study, we did note certain areas where improvements in internal accounting control and operating procedures could be made. We have provided a report to World Bank management, summarizing our recommendations; a copy of this report is attached as Exhibit A.

A strong factor in the system of internal accounting control is the World Bank's Internal Auditing Department (IAD). Through our review of the IAD work programme, audit reports and workpaper files, and other meetings and discussions with IAD personnel, we have developed a basis for reliance on the work of IAD. We continue to coordinate our work with IAD to the extent possible in order to avoid any unnecessary duplication. During the fiscal year 1983 examination, we reviewed all IAD audit reports and audit workpapers relating to IAD audits of UNDP-related activities.

Review of data processing controls

We reviewed the general controls surrounding systems software, system access, system development activity, and the continuity of processing in the automated systems of the Trust Fund Unit of the World Bank. We also performed a review of application controls for each of the financial systems. Our reviews indicated that the controls in the automated systems of the Trust Fund Unit of the World Bank are adequate.

It should be noted that the Trust Fund Unit is in the process of implementing a new data processing system. When implemented, our review will include the general and application controls surrounding the new automated system.

Cash

There are 144 cash accounts that the World Bank maintains for administering UNDP projects located around the world. Our audit efforts in this area centered around confirmation and reconciliation of these accounts. Accounts were confirmed on both a stratified (all accounts with balances in excess of \$50,000) and a rotational basis so that approximately one third of the bank accounts and between 70-90 per cent of the total dollar balance was circulated. Year-end testing of the bank reconciliations for all accounts selected was also performed, as well as limited testing of the translation of foreign currencies into United States dollars.

For cash drawings, we performed detail testing including the recalculation of gain or loss on exchange on remittances selected on a systematic basis. Items listed as cash-in-transit were tested by reviewing subsequent receipts.

Accounts receivable and other assets

Receivables and other assets have not, historically, been large in amount and controls in this area have been noted as strong in prior years.

We reviewed undrawn imprest accounts as of 31 December 1983 on a test basis and agreed them to their corresponding payment schedule in project correspondence. Any receivables from the World Bank were matched to respective payables on the World Bank's books at 31 December 1983.

Other assets were reviewed for reasonableness, components, identified and explained and project advances analyzed for aging, i.e. amounts outstanding over one year were investigated and satisfactorily resolved.

Accounts payable and unliquidated obligations

We reviewed the accounts payable listing as of 31 December 1983 and, on a test basis, examined supporting documentation for items included in the listing. Additionally, we examined and tested the list of residual commitments payable by project. The components of payables were determined and the nature of each component explained. The unliquidated obligations were reviewed on a test basis for reasonableness and compared to anticipated payment schedules included in the project documents.

We satisfactorily requested confirmation from UNDP of their concurrence with the use of the delivery method of accrual rather than the commitment basis. We also performed a search for unrecorded liabilities, noting no exceptions.

Allocations

Allocations are very material in nature. UNDP makes contributions, or authorizes them to be made, toward the cost of projects. Allocations are recorded in the accounts on the basis of written notification from UNDP. For all new projects, we reviewed the correspondence from UNDP authorizing the allocation and the signed project document. We also reviewed, on a test basis, correspondence authorizing amendments during 1983 to projects begun prior to 1983. We compared disbursements to date with approved allocations for each project and satisfactorily obtained explanations for any significant overruns.

Government counterpart contributions were summarized and tested as considered necessary. These contributions can either be made directly to the project or through UNDP. Direct deposits were tested in our cash testing, contributions made through UNDP were tested along with the other allocations.

Disbursements

Disbursements are very material and we expend a significant amount of audit effort in this area due to the complexity of the disbursement system. We perform extensive interim testing to establish whether or not the controls can be relied on for year-end testing. We performed a voucher exam at interim and disbursements were randomly selected for testing and evaluated, using statistical sampling techniques. Our testing of selected disbursements included review of support, approval, and correct distribution by project and general ledger account. Our allocation and disbursement work did not provide any evidence that UNDP funds were expended for unapproved projects or for amounts in excess of allocations.

We also reviewed the World Bank's computation of agency overhead cost which is based on 11 per cent of project costs, noting that only the appropriate disbursements were charged with overhead.

A refund of a portion of the amount paid by UNDP in 1982 to the World Bank for overhead was credited in 1983. We reviewed the computation of this refund by reviewing the agreement and the supporting documentation.

We also reviewed and satisfactorily tested the Summarization of Expenditures by country. This schedule appears in the financial statements and is covered by our opinion.

Exchange adjustments

Gains and losses arise from changes in the UNDP currency exchange rate. We summarized gains and losses for the year and reviewed the computations on a test basis without exception.

General

We obtained a representation letter from World Bank management and performed a subsequent events review. We also reviewed all correspondence between the World Bank and UNDP that had any financial statement significance. We confirmed with UNDP that the delivery method of accrual is acceptable to them.

Other services provided

Review of selected projects

In addition to work performed in connection with the UNDP audit, we reviewed a selection of 13 UNDP projects administered by the World Bank in order to determine whether:

- (a) The World Bank's procurement procedures were properly adhered to;
- (b) Project progress reports were submitted to UNDP on a timely basis; and
- (c) The World Bank's follow-up procedures in connection with problems noted in the progress reports were adequate.

The projects selected for review were chosen from each of the World Bank's six regions (Indonesia, Latin America/Caribbean, Europe/Middle East, South Asia, Western Africa and Eastern Africa) and the Global-Interregional section. Our review included detailed discussions with the World Bank's project staff in the different regions responsible for the UNDP projects. We also reviewed the project files, including project documents and related correspondence. The results of our review were as follows:

(a) Review of procurement procedures

Twelve of the 13 projects reviewed included procurement of either consultants, experts/fellowships and/or equipment. The remaining project was just getting under way and, as of the date of our review, no procurement activity had yet taken place. In all of the projects reviewed, the procurement procedures noted were in accordance with the World Bank's guidelines. In the projects involving the procurement of consultants, these guidelines include the establishment of a selection committee, the preparation of a short list of qualified consultants, the review of all proposals submitted and the negotiation of a final contract. In projects involving the procurement of experts/fellowships, the guidelines include the selection and approval of the expert/fellowship by the country and the World Bank. In projects involving the procurement of equipment, the guidelines include the use of competitive bidding or the use of the World Bank's procurement department.

(b) Review of progress reports

In three of the 13 projects reviewed, it was noted that the progress reports submitted to UNDP were submitted on dates later than those specified in the project documents. In each of these cases, however, it was also noted that UNDP had been contacted about the reports and was aware that they would be submitted late. Delays in the start of a project or problems encountered during the course of a project were the reasons noted for the late submission of the progress reports.

(c) Review of problem follow-up

In projects where problems were noted in the progress reports (three of the 13 projects), the follow-up procedures performed by the World Bank were considered to be adequate.

Review of internal audit work

The World Bank's Internal Auditing Department (IAD) performed two reviews in the current year that related to UNDP projects. The first involved a review of the contract charges of four consulting firms working on UNDP projects. We reviewed the final report and related IAD workpapers and noted that in general, the consulting firms had complied with the provisions of the contracts. There were certain specific recommendations noted in the reports that were of an internal nature and did not impact our review. The second IAD review involved an overall review of the World Bank as an Executing Agency. As of the date of our report, the final report for this review had not been released. We will review this final report and related workpapers in connection with next year's examination.

EXHIBIT A

UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP) PROJECTS
AND OTHER TRUST FUNDS
FOR WHICH THE
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (WORLD BANK)
ACTS AS EXECUTING AGENCY OR ADMINISTRATOR

RECOMMENDATIONS FOR IMPROVEMENT IN INTERNAL ACCOUNTING CONTROL

Recommendation 1 - Consider further expansion of the resources
devoted to the UNDP/Trust Fund function

During our current year examination, we noted that the Loan Department had begun to allocate additional resources to the UNDP/Trust Fund function. This effort was primarily aimed at replacing the current general ledger system with a new automated system. We are encouraged by these efforts.

We recommend that management consider whether this commitment of resources could be broadened to include personnel resources. Such a commitment would allow the UNDP/Trust Fund Unit to develop greater controls through segregation of duties and allow more time to address the significant concerns contained below.

Recommendation 2 - Periodically reconcile the Operating Funds
Statement received from UNDP to the books of account

Our work in the 1983 examination included assisting in the preparation of UNDP's main financial statement - the Status of Operating Funds. At the initiation of our audit, this statement differed significantly from UNDP's Operating Fund Statement. As a result, it was necessary to expand our audit procedures in order to locate the cause of the discrepancy. This additional work involved a comparison of the Operating Fund Statement (OFS) to the detailed records maintained by the UNDP/Trust Fund Unit. We discovered that unpaid inter-office voucher charges (IOVs) had been accrued without a corresponding reversal of the accounts resulting in a significant overstatement of accounts payable. It is our understanding that this was the result of the merging in 1983 of two previously separate statements prepared by UNDP. UNDP/Trust Fund Unit currently plans to meet with UNDP personnel in order to try and solve this problem.

OFS should be reconciled to the UNDP/Trust Fund Unit's records on a regular basis. All activity in OFS should be traced to proper recording in the records. Such reconciliation would allow World Bank personnel to detect on a timely basis items such as that noted in the above paragraph.

One of the main factors hindering the efficient completion of this recommendation is that UNDP does not always provide OFS on a timely basis despite repeated requests by UNDP/Trust Fund Unit personnel. Inquiries should continue to be made to UNDP as to whether it could generate OFS on a more timely basis.

Recommendation 3 - Establish a separate account to record cash drawings from UNDP

When cash is received from UNDP, the receipt is recorded as a credit to the Allocations Receivable account; this account represents the net of the amounts allocated and amounts received from the date when the project was initiated. Accordingly, no record exists of current year's cash receipts.

An annual cash drawings account, even if set up as only a memo account, would facilitate the preparation of financial statements at year-end. Additionally, the reconciliation of UNDP's Operating Fund Statement would be eased.

We understand that the UNDP/Trust Fund Unit has already implemented this recommendation.

Recommendation 4 - Segregation of general ledger accounts employed to record the transactions of each group of UNDP projects, for which separate reporting requirements have been established, should be strictly maintained

During last year's examination, we noted instances where UNDP energy account balances, for which separate reporting requirements were established, were maintained in the general ledger accounts designated for IPF activity. We also noted several instances of miscoding of general ledger account codes.

During the current examination, we noted that, although these weaknesses still existed, improvements had been made. However, a periodic reconciliation should be performed between ledger accounts representing other trust funds and the financial statements of those funds. Further, all World Bank personnel assigned to record transactions (personnel in financial statement preparation and disbursements) should be well versed in the various general ledger account codes and their respective purposes.

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The UNDP/Trust Fund Unit is aware of this problem and it is our understanding that the Unit has already taken steps to address this recommendation.

Recommendation 5 - A periodic reconciliation of World Bank's and UNDP's general ledger balances should be performed for the transactions involving both entities

Transactions giving rise to receivables and payables between the World Bank and UNDP occur each year. During our 1982 examination, we noted that procedures required a reconciliation of these balances only for non-United States dollar transactions. We noted that consistent recording of the United States dollar balances could be verified through reconciliation procedures and we recommended that such procedures be implemented and performed on a periodic basis. We noted no change regarding this item in the current year. Accordingly, we reissue the recommendation at this time.

UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP) PROJECTS
AND OTHER TRUST FUNDS
FOR WHICH THE
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (WORLD BANK)
ACTS AS EXECUTING AGENCY OR ADMINISTRATOR

STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR IMPROVEMENT IN INTERNAL ACCOUNTING CONTROL

Recommendation 1 - Communications between the World Bank and UNDP should be formalized and policies and procedures governing the recording of transactions documented.

Last year, we recommended that efforts be made to formalize and document the present system of recording transactions and balances, the changes in UNDP policies, and the UNDP audit requirements. We recommended that these efforts involve representatives of both the World Bank and UNDP.

During the current year examination, we noted that UNDP and World Bank had established guidelines for year-end closing as well as formal correspondence on procedures that deviated from UNDP's Policies and Procedures Manual. Further, the UNDP/Trust Fund Unit took steps to ensure that only appropriate accruals were made.

These efforts adequately address our recommendation and we urge management to continue the efforts at expanding communications between World Bank and UNDP in order to address our current year recommendations.

Recommendation 2 - The amount of allocations authorized by executed project documents should be periodically reconciled to the amount of allocations recorded

We noted that allocations are now recorded by accounting personnel upon receipt of executed project documents, rather than waiting for the reports from UNDP of authorized allocations (Report 2A). Additionally, recorded allocations are now reconciled to Report 2A on a current basis.

We re-emphasize that disbursement personnel should review the recorded balances to determine that the allocations recorded conform to their record of the allocations authorized by executed project documents. Additionally, a listing of the new allocations authorized by project documents should be prepared and periodically reconciled to the allocations per Report 2A. To provide additional control, we would recommend that this listing be maintained and reconciled to Report 2A by disbursement personnel. This would provide an independent verification of the balances recorded by accounting personnel.

Recommendation 3 - Segregation of general ledger accounts employed to record the transactions of each group of UNDP projects, for which separate reporting requirements have been established, should be strictly maintained

See current year recommendation 4.

Recommendation 4 - A periodic reconciliation of World Bank's and UNDP's general ledger balances should be performed for the transactions involving both entities

See current year recommendation 5.

Recommendation 5 - Establish formal procedures for closing International Centre for Settlement of Investment Dispute accounts

Last year, we recommended that formal procedures be established and documented for closing the ICSID accounts prior to preparation of the financial statements. We are pleased to report that the problems encountered last were adequately addressed in fiscal year 1984.

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME

Executing Agency: International Bank for
 Reconstruction and Development
Status of Funds
Year ended 31 December 1983
 (Expressed in U.S. dollars)

Operating Fund

Balance as at December 31, 1982 \$(7 803 332)

Add:

Cash drawings from UNDP	\$31 109 928	
Other charges (net)	3 742 335	
Inter-office voucher charges	4 775 675	
Miscellaneous income and exchange adjustments (net)	<u>(133 284)</u>	<u>39 494 654</u>
		31 691 322

Deduct:

Expenditures during 1983 (Statement III)		
For projects		
Disbursements	\$27 978 304	
Unliquidated obligations	9 238 058	
Programme support costs	<u>3 505 271</u>	<u>40 721 633</u>

Balance as at December 31, 1983 \$(9 030 311)

Represented by:

Cash at banks and in transit		\$ 2 305 128
Accounts receivable		<u>2 214 881</u>
		4 520 009

Deduct:

Accounts payable and accrued expenses	\$2 644 683	
Prior years unliquidated obligations	1 667 578	
1983 unliquidated obligations	<u>9 238 059</u>	<u>13 550 320</u>
		<u><u>\$(9 030 311)</u></u>

[Original: French]

Federal Audit Office

3003 Berne, 29 February 1984

UNIVERSAL POSTAL UNION TECHNICAL CO-OPERATION PROJECT ACCOUNTS OF THE UNITED
NATIONS DEVELOPMENT PROGRAMME

FINANCIAL YEAR 1983

EXTERNAL AUDITOR'S REPORT

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1. GENERAL

In accordance with article 35 of the Financial Regulations of the Universal Postal Union (UPU) and article XVII of the Financial Regulations and Rules of the United Nations Development Programme (UNDP), I have, as external auditor appointed by the Government of the Swiss Confederation, examined the Technical Co-operation project accounts, kept in United States dollars, drawn up at 31 December 1983. In performing my duties at the headquarters of the International Bureau of UPU in Berne, I was assisted by Messrs. F. Faessler, Head of section, and J.-P. Vessaz, audit expert.

I should like to express my appreciation of the helpfulness shown by all the UPU International Bureau officials whom I approached in providing me with the information and documents I required to carry out my task.

During our audit, my assistants had regular contact with Messrs. H. Noma, Senior Counsellor, and G. Beney, Counsellor.

I had the opportunity to inform Mr. M. I. Sobhi, Director-General, of my observations.

2. AUDITS AND OBSERVATIONS

2.1 Our audits were conducted in conformity with generally accepted common auditing standards. My assistants satisfied themselves that the supporting vouchers bore the necessary signatures certifying that internal audits had been performed.

They checked the accuracy of the positions on the financial statements at 31 December 1983 (Statement I, Schedules 1 and 2) and, by sampling, the proper recording in the accounting of the movements relating to the IPF, PR and LDC allocations as well as to the expenditure charged in the financial year and those concerning cash. Moreover, they compared the balances of the various cash accounts with those in the statements issued by the banks and postal giro centres.

By sampling, the emoluments and mission expenses of the experts as well as the allowances paid to fellows were examined, particularly as to entitlement, correct application of the scales in force and proper bringing to account.

My assistants followed the financial progress of several projects executed within the framework of the United Nations Development Programme. On the basis of the files which they selected, they analyzed the project documents, the progress reports and the reports on the tripartite reviews. They also turned their attention to compliance with the budgets and, where applicable, to questions concerning the contractual services which the beneficiary countries were to provide.

2.2 I attach to this report, as annex 4, the statement of IPF, PR and LDC allocations made by the UNDP compared with the ones recorded in UPU accounts.

At the time of the audit, only the Status of Allocation by Agency drawn up at 30 November 1983 was available, which might explain the considerable divergences noted. The International Bureau will make any adjustments which might arise in the light of the relevant UNDP documents.

2.3 Expenditure under sectoral support amounted to \$40,831 (see Report 19) in 1983, to which was added the \$803 residual expenditure relating to the 1982 programme. As UPU has already been credited with the allocation of \$47,000, the difference owed to UNDP at the end of 1983, i.e. \$5,366 is included under "sundry" on the debit side (see Schedule 8).

As UNDP credited the UPU account in January 1984 only with the 1982 sectoral support costs, the amount of the 1982 expenditure, totalling \$70,409, appears on the debit side at 31 December 1983 (see Schedule 8).

2.4 The sundry expenditure and reimbursements item of a net amount of \$5,123 contains expenditure of previous years (\$4,596) relating to a project under execution (RAF/78/026) to which it should have been debited.

2.5 The 1983 support costs put to account by the UPU International Bureau were calculated on the figures of the 1983 expenditure and of outstanding obligations concerning IPF, PR and LDC projects at the overall rate of 22 per cent, in accordance with the decision of the Governing Council at its 28th session, and the agreement given by the UNDP Administrator.

2.6 Upon examining the files of a project, I noted that a cheque for \$27,000 had been presented, in April 1982, to the Office of the Controller of the Ministry of Posts and Telecommunications of the country concerned to finance the construction of six postal establishments. According to the reports which I took cognizance of in autumn 1983, only two establishments had been erected and even these had been criticized because of the lack of elementary comfort. Apart from the considerable delay, it appeared, according to the expert in the field, that the remaining amount available would only be enough for four establishments instead of the scheduled six. I drew the attention of the UPU Director-General to the fact that the International Bureau did not have any supporting vouchers or construction account and that, in any event, the Ministry would have to show proof of the economical and efficient use of the sum which had been presented to it by UNDP.

Following my approach, the Director-General sent me the following information: "The construction of a post office was originally estimated at \$4,500, i.e. \$27,000 for the planned six offices. However, according to the statement of account of 15 November 1982 drawn up by the Ministry of Posts and Telecommunications, the total expenditure incurred for the construction of the

first two offices, completed in June and August 1982, respectively, amounted to \$15,114.55. Two further post offices were constructed in November 1983 at a total cost of \$8,300. As the balance of \$3,585.45 is not enough to attain the aims of the project, the Ministry of Posts and Telecommunications has taken steps to obtain an additional \$10,000 from its Government for the construction of the last two postal establishments. It would therefore appear that the construction of the six postal establishments will finally be completed with the financial support of the Government".

I asked the Director-General to follow the matter and keep me informed.

2.7 As regards outstanding obligations, I noted that a sum of 106,000 dollars in round figures, i.e. 44 per cent of the total brought forward from financial year 1982, had had to be credited to different projects because it did not correspond to commitments which had fallen due.

In answer to a specific question on a project, the UPU International Bureau confirmed that it shared my view that only firm orders can be regarded as outstanding obligations and be charged as such in the accounts at 31 December.

2.8 Among the overlapping entries at 31 December 1983 between the UNDP account at UPU and the balance in OFS 83-05 is the sum of \$114,404.47 corresponding to a payment by the Government of a member country made to the Resident Representative in favour of UPU, a sum which UNDP had not yet credited despite its telex of 10 October 1983.

According to the information given to me, a difference concerning convertibility, a prior condition set by UPU for this transaction, and the amount available arose after the closure of the UPU accounts.

3. CONCLUSIONS

The audit carried out enabled us to observe that the accounts were kept correctly and that the entries were in conformity with the supporting vouchers.

Following our work, I am in a position to issue the audit certificate appended at the foot of annex 1 to this report (Statement 1).

(Signed) W. Frei
Deputy Director of the
FEDERAL AUDIT OFFICE OF THE
SWISS CONFEDERATION
(External Auditor)

UNIVERSAL POSTAL UNION
 INTERNATIONAL BUREAU

STATEMENT J

UNITED NATIONS DEVELOPMENT PROGRAMME

Status of Funds as at 31 December 1983
 (Expressed in US dollars)

<u>Operating Fund</u>	<u>\$</u>	<u>\$</u>
Balance at 1 January 1983		144 395.52
Add: Cash drawings from UNDP	580 292.81	
IOVs and other charges (net)	1 105 251.91	
Miscellaneous income and exchange adjustments (net)	- (21 139.19)	
Miscellaneous items refunded to UNDP (net)	<u>- (4 803.81)</u>	<u>1 659 601.72</u>
		1 803 997.24
Less: Expenditure during 1983		
- For projects		
Disbursements (Schedule 1)	1 247 430.00	
Unliquidated obligations (Schedule 1)	353 625.00	
- For programme support costs (Schedule 1)	352 232.10	
		<u>1 953 287.10</u>
Balance at 31 December 1983		<u>(149 289.86)</u>
Represented by:		
Cash at banks, on hand and in transit		131 343.79
Accounts receivable		<u>296 277.79</u>
		427 621.58
Less: Accounts payable	223 286.44	
1983 Unliquidated obligations	<u>353 625.00</u>	<u>576 911.44</u>
		<u>(149 289.86)</u>

CERTIFIED CORRECT

APPROVED

G Beney

G BENEY
 Head, Finance Section

M I Sobhi
 M I SOBHI
 Director-General

AUDIT CERTIFICATE

The above statement has been examined in accordance with my directions. I have obtained all the information and explanations that I have required and I certify, as a result of the audit, that, in my opinion, the above statement is correct. For further details, I refer to my audit report of 29 February 1984.

Bern, 29 February 1984

W. Frei
 W. Frei
 Deputy Director
 Swiss Federal Audit Office
 (External Auditor)

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UNITED NATIONS DEVELOPMENT PROGRAMME

REPORT OF THE EXTERNAL AUDITOR ON THE STATEMENT
SHOWING AS AT 31 DECEMBER 1983 THE STATUS OF FUNDS ADVANCED TO
INTERNATIONAL TELECOMMUNICATION UNION
BY THE UNITED NATIONS DEVELOPMENT PROGRAMME1. General

Under Article 48 of the Financial Regulations of the International Telecommunication Union (ITU) and Article XVII of the Financial Regulations and Rules of the United Nations Development Programme (UNDP), I inspected the accounts of Technical Co-operation projects, kept in United States dollars, as at 31 December 1983, in my capacity of External Auditor appointed by the Government of the Swiss Confederation. In carrying out this task at ITU Headquarters in Geneva, I was assisted by Mr. F. Faessler, Mr. E. Luginbühl and Mr. J.-P. Vessaz, officials of the Federal Audit Office.

I wish to express my appreciation of the courtesy shown by all the officials of ITU whom I approached in supplying the information and documents needed for the performance of my task.

During the audit, my colleagues and I had regular meetings with Mr. R. Prelaz, Chief of the Finance Department of ITU.

2. Verifications and comments

2.1 The audit was carried out in keeping with standards auditing procedures and in conformity with the additional terms of reference attached to the Financial Regulations of ITU.

My colleagues verified that the supporting vouchers bore the necessary authorizations certifying the application of internal control procedures.

The spot checks performed related to the posting to account of movements of IPF, LDC and Government Cash-Counterpart Contributions allocations, as well as expenditure and income during the financial year. The accuracy of items appearing in the financial statements at 31 December 1983 (Statement I, Schedules 1 and 2) was verified. The balances in the various accounts on the same date were checked against those appearing in the statements issued by the banks. The other main items, both assets and liabilities, were inspected and compared with the amounts appearing in the UNDP account at 31 December 1983 (OFS-83-06).

By means of spot checks, the remuneration and mission expenses of experts and consultants were verified, particularly with respect to entitlement, correct application of the scales in force and proper posting to account.

2.2 My colleagues followed the financial development of certain projects in the process of execution. On the basis of selected files, they analyzed the project documents, progress reports and reports on tripartite revisions. They also verified the observance of budgetary provisions and examined, where necessary, questions concerning the contractual facilities to be made available by the recipient countries.

Where no arrangements had been made for tripartite revision, I asked that a brief note giving the reasons why this had not been done and reporting the consent of the other parties concerned should be added to the relevant files. With regard to completed projects, I suggested that the documents relating to the delivery of materials and equipment should bear the names and official capacity of the signatories, so that their authenticity should be clearly apparent.

2.3 The financial statements at 31 December 1983 contain:

- an amount of \$US 947,583.51 relating to differences in exchange rates during the financial year 1981, charged by ITU to UNDP but not accepted by the latter. The dispute on this matter has not yet been settled (see paragraph 2.3 of my report of 4 May 1983);
- an amount of \$US 611,871.65 debited by ITU and not yet entered in the UNDP statement relating to a payment in national currency made during the financial year by a member of the Union to the Resident Representative in settlement of contributions to ITU.

Negotiations on these two subjects are continuing.

2.4 Support expenditure for 1983 posted to account by the ITU has been determined on the basis of project expenditure in 1983, including unliquidated obligations, and in accordance with the special arrangements made for the period 1982 to 1986 by decision of the UNDP Governing Council.

2.5 The matter referred to in section 2.2 of my report of 4 May 1983 concerning the investment of part of a contract price and the use of the interest from this investment to finance a project has now been settled. The interest has been credited to UNDP under the item "Miscellaneous income and exchange adjustments" for the financial year 1983.

3. Conclusions

As a result of the operation carried out, we are in a position to state that the accounts are kept correctly and that the entries are in conformity with the supporting vouchers.

I am therefore able to issue the certificate which appears at the end of the financial statements at 31 December 1983:

- for UNDP projects (Annex I);
- for UNDP sectoral support;
- for UNDP Funds-in-Trust for Lesotho 76/020, Namibia 79/010 and Swaziland 76/009;
- for sub-contracted UNCDF Funds-in-Trust 5LES 80/003.

(Signed) W. Frei
Deputy Director of the
FEDERAL AUDIT OFFICE OF THE
SWISS CONFEDERATION
(External Auditor)

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME
 INTERNATIONAL TELECOMMUNICATION UNION

Status of funds as at 31 December 1983
 (expressed in US dollars)

	\$	\$
<u>Operating Fund</u>		
Balance as at 1 January 1983		(2.722.547.41)
Add : Cash drawings from UNDP		17.280.000.94
I.O.V. and other charges (net)		8.702.052.46
Miscellaneous income and exchange adjustments (net)		235.113.80
Expenses incurred on completed projects		(14.436.-)
Adjustment of expenses on completed projects (to meet allocations) to be refunded to UNDP		4.-
		<hr/> 23.480.187.79
Deduct : Expenditure during 1983 (Schedule I)		
For projects : Disbursements	18.682.112.-	
Unliquidated obligations	2.920.385.-	
For programme support costs	2.736.346.-	24.338.843.-
		<hr/>
Balance as at 31 December 1983		(858.655.21)

<u>Represented by :</u>		
Cash at banks, on hand or in transit		2.049.179.88
Accounts receivable		1.698.810.14
Deduct : Accounts payable	1.125.555.23	
1981 Unliquidated obligations	560.705.-	
1983 Unliquidated obligations	2.920.385.-	4.606.645.23
		<hr/>
		(858.655.21)

Certified correct :



R. PRELAZ

Chief of the Finance Department

Approved :



R.E. BUTLER

Secretary-General

Audit Certificate

The above statement has been examined in accordance with my directions. I have obtained all the information and explanations that I have required and I certify, as a result of the audit, that, in my opinion, the above statement is correct.



W. FREI
 Deputy Director
 Swiss Federal Audit Office
 External Auditor

Date: 6 March 1984

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UNITED NATIONS DEVELOPMENT PROGRAMME
REPORT OF THE EXTERNAL AUDITOR ON THE STATEMENT
SHOWING AS AT 31 DECEMBER 1983 THE STATUS OF FUNDS ADVANCED TO
THE WORLD METEOROLOGICAL ORGANIZATION
BY THE UNITED NATIONS DEVELOPMENT PROGRAMME

General

1. The Statement and supporting Schedules relating to the participation of the World Meteorological Organization (WMO) in the United Nations Development Programme are in the form prescribed by UNDP. My examination of them, which included an audit of payrolls, has been carried out in conjunction with my audit of the regular budget and subsidiary funds of the Organization.
2. Statement I shows the resources made available to WMO by UNDP in 1983, the expenditure incurred by WMO during the year on goods and services for projects and on programme support costs, and the balance of funds held by WMO at 31 December 1983. Schedule 1 shows the programme expenditure by source of funds and associated programme support costs for the year. Schedule 2 shows disbursements and unliquidated obligations charged to projects in each country and region during the year. The total expenditure of \$13,128,091 in 1983 was about 2 per cent less than in 1982.

Programme support costs

3. The UNDP Governing Council, at its twenty-eighth session, approved revised arrangements from 1 January 1982 under which smaller agencies, defined as those with UNDP delivery of less than \$15 million per annum, would be reimbursed support costs, consisting of 13 per cent of annual project expenditure plus a flexibility margin, within overall limits ranging from 22 per cent at a level of activity of \$5 million to 14 per cent at \$15 million. The UNDP project delivery of WMO in 1983 was \$11.32 million on which the overall limit for reimbursement would be \$1.92 million.

4. The procedures laid down by UNDP for the recovery of support costs under the revised arrangements require agencies to submit in December estimates of support costs for the following year which are to be considered as the maximum level of support costs requirements for that year, subject only to possible adjustment, within overall flexibility limits, for differences between estimated and actual rates of exchange. Under these procedures WMO, who is unable to separate the support costs incurred on the UNDP programme from those incurred on other technical co-operation work, submitted an estimate of UNDP support cost requirements of \$1,671,700. This estimate was obtained by deducting an estimated income of \$730,000 from trust funds and other non-UNDP sources from total estimated support cost requirements of \$2,401,700.

5. WMO's actual support costs in 1983 exceeded the estimate by \$40,853, due to the effects of exchange rate fluctuations, while income from non-UNDP sources fell short of the estimate by \$97,463. To meet their resultant revised liability, the Organization has requested UNDP to approve an increased level of support for 1983 of \$1,810,016, which is within the overall limit for possible reimbursement on the 1983 UNDP project delivery. At the time of my audit, UNDP had not indicated its agreement. In the meantime, WMO has charged the full amount of its claim to Statement I as programme support costs. Should UNDP approve a different amount, the adjustment will be recorded in the accounts for 1984.

Monitoring and evaluation of WMO scientific and technical work

6. During 1983, my staff continued an examination of procedures for monitoring and evaluation of the scientific and technical work of WMO. Changes in policy and procedures were reviewed and visits were made to four technical co-operation projects in Africa, including three projects funded by UNDP. The results of this examination are set out in my Report on WMO's Accounts for 1983.

7. In regard to the evaluation of UNDP projects, WMO informed me that new policies and procedures were being developed by UNDP in co-operation with the specialized agencies and that WMO would play its full part in this exercise.

8. I wish to record my appreciation of the willing co-operation of the officers of the Organization during my audit.

(Signed) GORDON DOWNEY
(Comptroller and Auditor General, United Kingdom)
External Auditor

21 May 1984

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Extract of report: Financial matters,
Consideration of the Accounts for 1983,
EC-XXXVI/Doc.18, submitted to the Executive Council
of the World Meteorological Organization,
thirty-sixth session

Control and monitoring at WMO headquarters of technical co-operation projects

20. My Report on the 1982 Accounts mentioned that the Secretariat planned to introduce, in the first half of 1983, a pilot scheme for controlling and monitoring a selection of UNDP and bilaterally funded technical co-operation projects. In the event, the Secretariat decided that current reporting procedures gave sufficient information to alert them to problems and to provide adequate assurance about project implementation. This decision was, in part, prompted by the view that UNDP procedures afforded adequate information on the achievements of these projects against objectives. The Secretariat pointed out to me, however, that UNDP was itself placing greater emphasis on evaluation with the establishment late in 1983 of a Central Evaluation Office. New policies and procedures were being developed by UNDP in co-operation with the specialized agencies and WMO would play its full part in this exercise.

Review of project implementation in the African region

21. In 1983, my staff carried out field visits to examine the implementation of WMO's technical co-operation projects in Africa. Some 60 per cent of the Organization's technical co-operation programme budget for 1983 was allocated to that continent. Four projects were selected, taking account of the stage reached in implementation, the expenditure incurred, and the views of WMO staff. The main purposes were to form a general view of WMO's procedures for assessing the efficiency and effectiveness of projects, and to establish whether reports to headquarters were sufficiently informative for WMO to monitor progress and evaluate the projects and, where necessary and possible, take remedial action. The examination was based on reviews of project documentation, relevant reports, interviews with project staff and visits to sites.

22. My staff concluded from their examination that the procedures for controlling and monitoring the progress of the projects were effective. Although in a few instances the required project documents and/or reports were not all available, or did not provide all the information needed for monitoring

and evaluation, the Secretariat demonstrated to me subsequently either that the information was available in an alternative form or that steps had been taken to produce it. They assured me that every effort would be made in future to ensure that the normal control procedures were properly implemented.

23. The success of a project depends to a large extent on the sponsoring bodies fulfilling their obligations under the terms of the project document. My staff found that in the first three years of one UNDP project, the full amount of Government funds provided in the approved budget had not been released. Consequently, staff considered essential to the full achievement of the project's objectives had not been recruited. At the same project, weather data which had been compiled in manuscript over a period of 10 years, and which were important to the project, were in danger of deterioration through unsatisfactory storage. In the case of another UNDP project, only one out of eight of the national staff sent abroad for meteorological training had been successful in his course. The Secretariat had been told promptly of all these problems through the normal reporting procedures, but it appeared to my staff that the need for prompt remedial action may not always have been recognized by headquarters at the time.

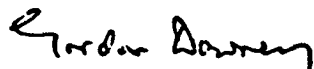
24. In reply to my enquiries, the Secretariat explained that Government funds advanced in the case of UNDP-assisted projects often fell short of the amounts provided for in the approved budget, and that this was beyond the control of WMO. However, WMO experts and the Chief of Division, while on mission in the country concerned, had stressed to the Government the need for it to fulfil its obligations. The Secretariat also explained that proposals had now been made to the Government for computerizing the deteriorating manuscript weather data. With regard to the difficulty in finding well-qualified candidates for fellowships, the Secretariat explained that a suggestion by the resident expert for improving the pass rate for meteorological trainees would have involved changing a universally applied training curriculum to allow for a lack of suitably qualified candidates in the country concerned.

25. I was pleased to note the evidence of satisfactory operation of the Organization's monitoring and evaluation procedures for technical co-operation projects, and I accept that where problems are brought to notice, it is not always within the power of WMO to take remedial action. But I observe that prompt consideration of the scope for such action, where appropriate, is an important element of project monitoring. I welcome the Organization's participation with UNDP in the development of a new evaluation procedure for UNDP projects. I note that the Secretariat intends to keep under review the control and evaluation procedures for regular budget projects. I trust that they will consider whether any of the new procedures developed with UNDP could usefully be applied for this purpose.

UNITED NATIONS DEVELOPMENT PROGRAMME
WORLD METEOROLOGICAL ORGANIZATION
Status of Funds as at 31 December 1983

EXTERNAL AUDITOR'S CERTIFICATE

I have examined the appended Statement I and the related Schedules 1 and 2. I have obtained all the information and explanations that I have required, and I certify, as a result of the audit, that, in my opinion, the appended Statement and the related Schedules are correct.



GORDON DOWNEY

(Comptroller and Auditor General
United Kingdom)

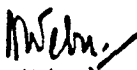
External Auditor

STATEMENT I

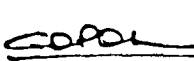
United Nations Development Programme
 WORLD METEOROLOGICAL ORGANIZATION
Status of Funds as at 31 December 1983
 (Expressed in US dollars)

<u>Operating Fund</u>	<u>\$</u>	<u>\$</u>
Balance at 1 January 1983		(2 739 116)
Add: Cash drawings from UNDP		8 172 856
IOVs and other charges (net)		5 623 548
Miscellaneous income and exchange adjustments (net)		(34 105)
Miscellaneous items refunded to UNDP (net)		<u>(5 628)</u>
		11 017 555
Less: Expenditure during 1983		
For projects		
Disbursements (Schedule 1)	9 820 511	
Unliquidated obligations (Schedule 1)	1 497 564	
For programme support costs (Schedule 1)	<u>1 810 016</u>	13 128 091
Balance at 31 December 1983		<u>(2 110 536)</u> =====
Represented by:		
Cash at banks, on hand and in transit		935 680
Accounts receivable		<u>949 824</u>
		1 885 504
Less: Accounts payable	2 498 476	
1983 Unliquidated obligations	<u>1 497 564</u>	<u>3 996 040</u>
		<u>(2 110 536)</u> =====

CERTIFIED CORRECT


 (A. Weber)
 Chief, Finance and
 Budget Division

APPROVED


 (G.O.P. Otasi)
 Secretary General

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UNITED NATIONS DEVELOPMENT PROGRAMME

International Maritime Organization

1. Introduction

1.1 The transactions of the International Maritime Organization as an Executing Agency of the United Nations Development Programme, during the year ended 31 December 1983, are recorded in the annexed Statement I and the accompanying schedules in the form prescribed by the UNDP. There has been no change in the form of the account compared with the previous year.

2. Statement I

2.1 Cash drawn from the UNDP during the year amounted to \$6,236,888 whilst payments made on behalf of IMO directly from UNDP funds for programme expenditure and charged to IMO by inter-office voucher, totalled \$1,989,528. Net miscellaneous income was \$2,664 and miscellaneous charges and refunds resulted in a net charge of \$10,922, as set out in Schedule 7.

2.2 Expenditure on project activities during 1983 amounted to \$5,960,535 (compared with \$6,767,303 in 1982) made up of disbursements, \$4,570,696, plus unliquidated obligations of \$1,389,839. Programme support costs of \$1,100,000 brought the total expenditure to \$7,060,535. The negative balance of \$2,105,527 as at 31 December 1983 represents the value of cash resources still to be provided by the UNDP to meet expenditure committed on the programme up to that date.

2.3 Unliquidated obligations remaining from previous years amounting to \$658,245 are included in accounts payable, as shown in Schedule 8.

2.4 The support cost of \$1,100,000 charged in the account to meet the cost of IMO's technical and administrative support of the programme consists of 13% of the \$5,960,535 project expenditure (\$774,870) plus an adjustment of \$1,420 and an amount of \$323,710 claimed under the arrangement for support cost flexibility for small Agencies approved by the UNDP Governing Council.

2.5 The number of individual projects on which expenditure was incurred in 1983 was 56.

3. Equipment

3.1 Expenditure on equipment supplied to projects has been charged as current expenditure and is included in the total of expenditure on projects. Non-expendable items of equipment delivered to projects, costing \$25 or over, are recorded in inventories.

(Signed) C. P. Srivastave
Secretary-General

UNITED NATIONS DEVELOPMENT PROGRAMME

Report of the External Auditor on the statement showing
as at 31 December 1983 the status of funds advanced to the
International Maritime Organization
by the United Nations Development Programme

General

1. The Statement and supporting Schedules relating to the participation of the International Maritime Organization (IMO) in the United Nations Development Programme are in the form prescribed by UNDP for 1983. My examination of them has been carried out in conjunction with my audit of the regular budget and subsidiary funds of the Organization. This included a general review of the accounting procedures and such tests of the accounting records as I considered necessary. I have also examined the relevant internal audit reports.
2. Statement I shows the resources made available to IMO by UNDP in 1983, the expenditure charged to projects during the year for goods and services and for programme support costs, and the balance of funds due to IMO at 31 December 1983. Statement I is supported by two Schedules: Schedule 1 showing the aggregate expenditure by source of funds and programme support costs; and Schedule 2 showing expenditure by country, distinguishing between disbursements and unliquidated obligations.
3. Expenditure is controlled through project budgets which are phased by years over the duration of each project and revised annually when year-end project delivery information becomes available. They are also revised when either the scope of the project or the phasing of expenditure is changed. UNDP allows agencies a small margin of flexibility on annual budgets. Contractual commitments to be charged against budgets in future years are reported separately to UNDP.

Programme support costs

4. The UNDP Governing Council, at its twenty-eighth session, approved revised arrangements from 1 January 1982 under which smaller agencies, defined as those with a UNDP delivery of less than \$15 million per annum, would be reimbursed support costs, consisting of 13 per cent of annual project expenditures plus a flexibility margin, within overall limits ranging from 22 per cent at a level of activity of \$5 million to 14 per cent at \$15 million. In my report on the 1982 Accounts, I pointed out that IMO had included in their accounts their estimate of reimbursable support costs of \$1.1 million pending agreement with UNDP of the actual amount due. UNDP subsequently decided that agencies' statement of actual costs, on which final settlement would be based, should be submitted for the biennium 1982-1983. The final amount of support costs for 1982, therefore, has not yet been agreed.

5. For 1983, IMO again applied to UNDP for support cost reimbursement of \$1.1 million, including a flexibility margin of \$450,000, the maximum allowed on their estimated programme delivery of \$5 million. At the time of my audit, IMO's actual support costs of executing UNDP projects had not been finalized. The Accounts, therefore, have been drawn up on the basis of IMO's estimate of support costs. Any adjustment for 1982 or 1983 subsequently agreed will be recorded in the Accounts for 1984.

6. I wish to record my appreciation of the willing co-operation of the officers of the Organization during my audit.

(Signed) GORDON DOWNEY
(Comptroller and Auditor General, United Kingdom)
External Auditor

5 June 1984

/...

UNITED NATIONS DEVELOPMENT PROGRAMME

STATEMENT SHOWING AS AT 31 DECEMBER 1983 THE STATUS OF
FUNDS ADVANCED TO THE INTERNATIONAL MARITIME ORGANIZATION
BY THE UNITED NATIONS DEVELOPMENT PROGRAMME

AUDIT CERTIFICATE

I have examined the attached Statement and the related Schedules 1 and 2. I have obtained all the information and explanations that I have required and I certify, as a result of the audit, that, in my opinion, the attached Statement and the related Schedules 1 and 2 are correct.

Gordon Downey

(Comptroller and Auditor General,
United Kingdom)
External Auditor

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME

International Maritime Organization

Status of Funds as at 31 December 1983

<u>Operating Fund</u>		\$
Balance at 1 January 1983		(3 263 150)
Add: Cash drawings from UNDP	6 236 888	
IOVs and other charges (net)	1 989,528	
Miscellaneous income and exchange adjustments (net)	2 664	
Miscellaneous items refunded to UNDP (net)	<u>(10 922)</u>	<u>8 218 158</u>
		4 955 008
Less: Expenditure during 1983		
for Projects:		
Disbursements (Schedule 1)	4 570 696	
Unliquidated obligations (Schedule 1)	1 389 839	
for programme support costs (Schedule 1)	<u>1 100 000</u>	<u>7 060 535</u>
Balance at 31 December 1983		<u>(2 105 527)</u>
Represented by:		
Cash at banks, on hand and in transit	156 588	
Accounts receivable	<u>182 820</u>	339 408
Less: Accounts payable	1 055 096	
1983 Unliquidated obligations	<u>1 389 839</u>	<u>2 444 935</u>
		<u>(2 105 527)</u>

CERTIFIED CORRECT

J. A. Jackson
 J.A. Jackson

Head, Project Administrative Services
 Technical Co-operation Division

APPROVED

C.P. Srivastava
 C.P. Srivastava

Secretary-General

WORLD INTELLECTUAL PROPERTY ORGANIZATION
UNITED NATIONS DEVELOPMENT PROGRAMME TECHNICAL CO-OPERATION PROJECT ACCOUNTS

Financial year 1983

External audit report

1. General remarks

Pursuant to the agreements concluded between WIPO and the Swiss Government concerning the external audit of the accounts and to article XVII of the Financial Rules and Regulations of the United Nations Development Programme (UNDP), in discharging the functions of external auditor, we proceeded to examine the accounts of the technical co-operation projects, drawn up in United States dollars, as at 31 December 1983.

We express our appreciation for the co-operation extended by all the officials of the International Bureau with whom we dealt in providing us with the information and documents necessary to the discharge of our mandate.

Our findings and remarks were discussed with Mr. T. A. J. Keefer, Director of the Administrative Division of WIPO.

2. Audit findings

Our audit was performed in accordance with generally accepted standards.

We noted WIPO's remarks in its letter of 9 March 1984 to the Director of the UNDP Division of Finance, concerning the inclusion in the accounts of project Government Cash-Counterpart Contributions and the treatment in the accounts of the credit of \$68,318.99 posted to OFS/83-06. At the time of our audit, WIPO was not yet in possession of the additional information needed.

The conclusions of the talks held on 14 June 1984 between the Director of the UNDP Division of Finance and Director of the WIPO Administrative Division, concerning the treatment of a number of matters raised at the time of our audit of the 1983 accounts prepared by WIPO, were brought to our attention. We duly took account of these conclusions with respect to bank interest for 1983 and the charging of miscellaneous expenses budgeted for in the projects in formulating our assessment of the 1983 accounts.

The 1983 support costs included in the accounts by WIPO's International Bureau were calculated on the basis of the figures for expenditures and unliquidated obligations relating to IPF projects at a global rate of 22 per cent, in accordance with the decision of the Governing Council at its twenty-eighth session and with the agreement of the Administrator of UNDP.

With regard to the "sectoral support" project, we noted that, on the basis of the correspondence exchanged in 1982 with the Associate Administrator of UNDP, part of the amount shown on line 53, "Miscellaneous", was credited to WIPO as a contribution to expenditure for telephone, telex, printing and supplies.

3. Conclusions

We verified that the figures contained in the financial statements as at 31 December 1983 (Statement I, Schedules 1 and 2) agreed with those contained in the accounts submitted.

Following the completion of our work, we prepared the audit certificate appended to annex 1 to this report (Statement I) certifying that the financial statements are correct, due account being taken of an adjustment in respect of exchange variations to be included in the accounts for 1984 and the conclusions of the talks of 14 June 1984 referred to above.

(Signed) W. Frei
Deputy Director of the
FEDERAL AUDIT OFFICE OF THE
SWISS CONFEDERATION
(External Auditor)

STATEMENT I
UNITED NATIONS DEVELOPMENT PROGRAMME
WIPO
Status of Funds as at 31 December 1983
 (expressed in US dollars)

<u>Operating Fund</u>	<u>\$</u>	<u>\$</u>
Balance at 1 January 1983		(369 795.95)
Add: Cash drawings from UNDP	1 353 355.92	
IOVs and other charges (net)	309 943.31	
Miscellaneous income and exchange adjustments (net)	(8 380.35)	
Miscellaneous items refunded to UNDP (net)	--	<u>1 654 918.88</u>
		<u>1 285 122.93</u> *****
 <u>Less: Expenditure during 1983</u> for projects		
Disbursements (Schedule 1)	1 125 376.07	
Unliquidated obligations (Schedule 1)	125 028.--	
for programme support costs (Schedule 1)	<u>275 000.--</u>	<u>(1 525 404.07)</u>
Balance at 31 December 1983		(240 281.14) *****
 Represented by:		
Cash at banks, on hand and in transit	17 251.50	
Accounts receivable (Schedule 8)	<u>24 373.02</u>	41 624.52
 <u>Less: Accounts payable (Schedule 8)</u> 1983 Unliquidated obligations	156 877.66 <u>125 028.--</u>	<u>(281 905.66)</u> (240 281.14) *****

CERTIFIED CORRECT


 Gilles Frammery
 Senior Finance Officer

APPROVED


 M. Lagesse
 Controller

AUDIT CERTIFICATE

/...

REPORT OF THE EXTERNAL AUDITOR
ON THE ACCOUNTS OF THE INTERNATIONAL
ATOMIC ENERGY AGENCY AS THE EXECUTING AGENCY
UNDER THE UNITED NATIONS DEVELOPMENT PROGRAMME
FOR THE YEAR ENDED 31ST DECEMBER 1983

DP/1985/62/Add.1
English
Page 87

1. The Director General of the International Atomic Energy Agency has submitted to me for audit the following Statements and supporting Schedules relating to the participation of the International Atomic Energy Agency as the Executing Agency under the United Nations Development Programme and the United Nations Financing System for Science and Technology for Development.

United Nations Development Programme

- (i) Statement 1 - Status of Funds as at 31 December 1983
- (ii) Schedule 1 - Expenditures by source of funds for the year ended 31 December 1983
- (iii) Schedule 2 - Expenditures by country for the year ended 31 December 1983

United Nations Financing System for Science and Technology for Development

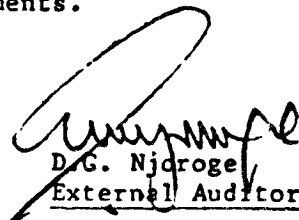
- (iv) Statement 1 - Status of funds as at 31 December 1983 - Operating Fund
- (v) Statement 2 - Status of funds as at 31 December 1983 - Unspent Allocations
- (vi) Schedule 1 - Project expenditure for the year ended 31 December 1983
- (vii) Schedule 2 - Expenditure by component

2. I have examined these Statements and Schedules in conjunction with my audit of the Agency's Accounts for 1983 to the extent I have deemed necessary and in conformity with the generally accepted auditing standards. I have obtained all the information and explanations that I have required for the audit and as a result of that audit, I have certified the Statements and Schedules as being correct.

Year end balance

3. The UNDP Status of Funds Statement as at 31 December 1983 reflects a year end negative balance of \$ 2 456 804. As indicated in my report for 1982, a negative balance on this Statement represents unliquidated obligations which are expected to be covered by subsequent cash drawings from UNDP.

4. I wish to record my special appreciation for the cooperation that has been extended to me and my officers by the staff of the International Atomic Energy Agency during the audit of these statements.


D. G. Njdroge
External Auditor

Vienna, 21 March 1984

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STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME

INTERNATIONAL ATOMIC ENERGY AGENCY

Status of funds as at 31 December 1983

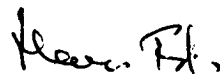
(Expressed in US dollars)

OPERATING FUND

Balance as at 1 January 1983			(2 396 688)
Cash drawings from UNDP			3 119 000
Interoffice vouchers and other charges (net)			1 765 189
Miscellaneous income and exchange adjustments (net)			(118 081)
Miscellaneous items refunded to UNDP (net)			6 078
			<u>2 375 498</u>
Expenditure during the year			
For projects			
Disbursements (Schedule 1)	1 909 049		
Unliquidated obligations (Schedule 1)	1 781 398		
For programme support costs			
1983 (Schedule 1)	811 855		
1982 - Flexibility (Schedule 1)	330 000		
			<u>4 832 302</u>
Balance at 31 December 1983			<u><u>(2 456 804)</u></u>
REPRESENTED BY:			
Cash (in hand and in transit)			2 478
Cash at banks			(444 266)
Accounts receivable			539 230
			<u>97 442</u>
Accounts payable	772 848		
1983 unliquidated obligations	1 781 398		
			<u>2 554 246</u>
			<u><u>(2 456 804)</u></u>

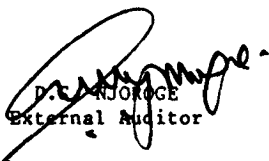


BERNARD L. BECHETOILLE
Director, Division of Budget and Finance



HANS BLIX
Director General

The above statement has been examined in accordance with my directions.
I have obtained all the information and explanations that I have required and
I certify, as a result of the audit, that in my opinion the statement is correct.



P. E. ANJORGE
External Auditor

UNITED NATIONS DEVELOPMENT PROGRAMME

REPORT OF THE EXTERNAL AUDITORS ON THE AUDIT OF THE ACCOUNTS OF
THE WORLD TOURISM ORGANIZATION AS AN EXECUTING AGENCY UNDER THE
UNITED NATIONS DEVELOPMENT PROGRAMME
FOR THE YEAR ENDED 31 DECEMBER 1983

OPINION

1. We have carefully examined the financial statement and relevant schedules submitted to us by the World Tourism Organizations (WTO) in its capacity as an executing agency, on the funds allocated to it by the United Nations Development Programme (UNDP), as contained in the financial document CE/23/5(c), pages 56 to 59, which covers the administrative accounts for the financial year 1983.
2. We have performed separately and jointly the audit of the accounting procedures and have verified the accounting records and other supporting evidence we considered necessary under the circumstances.
3. As a result of our examination, we are of the opinion that the financial statements properly reflect, from an accounting point of view, the transactions for the year, that they are in accordance with the applicable provisions and represent fairly the financial position up to 31 December 1983, subject to the following observations.

OBSERVATIONS

4. Our observations are strictly limited to accounting matters (strict implementation of accounting rules, compliance with accounting procedures and suitable supporting evidence), leaving aside such considerations as the rigorous application of the means provided by the Programme to achieve the desired aims. Nevertheless, given the concern expressed on various occasions by UNDP bodies, in order to examine field activities the Auditors could verify "in situ" those projects they consider to be most relevant.

5. We would like to state that many expense vouchers received from the place where the projects are carried out, which in previous years have been difficult to identify, are now more easily identifiable. It would be useful to continue along these lines, so that if an original document is not forwarded to the Finance Service of the executing agency, at least a certified copy is sent by the appropriate person in authority.

6. We wish to express our gratitude to the Secretary-General of the World Tourism Organization and his staff for the diligent and friendly cooperation extended to us during our assignment. We have been provided with all the information we deemed necessary, which has been of great help to us in examining the books and accounting documents.

Madrid, 16 March 1984

J. P. Cortés Camacho

Nestor Moise

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME
World Tourism Organization

Status of Funds as at 31 December 1983
 (Expressed in US dollars)

<u>Operating Fund</u>	\$	\$
Balance at 1 January 1983		(103 469.12)
Add: Cash drawings from UNDP	792 000.00	
IOVs and other charges (net)	84 808.01	
Miscellaneous income and exchange adjustments (net)	2 731.94	
Miscellaneous items refunded to UNDP (net)	63.22	879 603.17
		776,134.05
Less: Expenditure during 1983		
For projects		
Disbursements (Schedule 1)	757 590.51	
Unliquidated obligations (Schedule 1)	40 487.95	
For agency support costs (Schedule 1)	103 750.19	901 828.65
Balance at 31 December 1983		(125 694.60)

Represented by:

Cash at banks	7 267.46
Accounts receivable	<u>13 815.12</u>
	21,082.58


Less: Accounts payable	106 289.23
1983 unliquidated obligations	40 487.95
	<u>146 777.18</u>
	(125 694.60)

CERTIFIED CORRECT



 Eduardo Ramos-Reimundín
 Chief of Finance

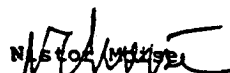


APPROVED


 Robert C. Lohati
 Secretary-General

AUDIT CERTIFICATE


 J.P. Cortés Camacho


 Nestor M. López

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الصندوق العربي للإسـماء الإقتصادي والإجتماعي
تلفون : ٢٤٥١٥٨٠ - ص . ب ٢١٩٢٣ كويت - برقا : انميري - تلكر : انميرب ٢٢١٥٣ كويت

ARAB FUND FOR ECONOMIC AND SOCIAL DEVELOPMENT
TEL : 2451580 - P. O. BOX 21923 - CABLE : INMARABI KUWAIT · TELEX : INMARAB 22153 KT.

RAB/74/011

Programme for the Identification and Pre-
paration of Inter-Country Investment Pro-
jects and related Feasibility Studies .

Statement of Expenditures by Project

1/1/1983 - 31/12/1983

U.N.D.P. Share

<u>PROJECT</u>	<u>K.D.</u>	<u>U.S.\$</u>
Unified Geologic and Water Resources		
Mapping of the two Yemens	27.575	98.48
Integrated Development of Hamad Basin	5 622.820	20 081.50
Study of Transport Sector in the Arab World	176.807	631.45
Regional Training Programme at Wad El Magboul Institute.	11 158.125	39 850.45
The Establishment of an Arab Joint Project for the Manufacture of Fishing Gear.	684.285	2 443.88
Preparation of Prototype Postliteracy Books.	4 222.700	15 081.07
Regional Arab System for Labour Market Information.	53 855.100	192 339.64
Al Hilla Regional Project.	15 031.650	53 684.46
Production of Teaching Aids (Pan-Arab Educational Films).	1 500.-	5 357.14
T O T A L	92 279.062	329 568.07
	=====	
Administration Expenses 13%		42 843.85
GRAND TOTAL		372 411.92
		=====

/...

انصندوق العَرَبي للإسْماء الإاقتصَادِي والإجْتَمَاعِي
تلفون : ٢٤٥١٥٨٠ - ص. ب. ٢١٩٢٢ كويت - بركيا : اتصمري - تلخس : اتصمرب ٢٢١٥٢ كويت

ARAB FUND FOR ECONOMIC AND SOCIAL DEVELOPMENT

TEL : 2451580 - P. O. BOX 21923 - CABLE : INMARABI KUWAIT - TELEX : INMARAB 22153 KT.

RAB/74/011

Programme for the Identification and
Preparation of Inter-Country Invest-
ment Projects and Related Feasibility
Studies

Statement of Expenditures

1/1/1983 - 31/12/1983

U.N.D.P. Share

(In U.S.Dollar)

No.	Component	M/M	Amount \$
11-01	Team Leader	-	-
11-02	Project Economist	-	-
11-03	Financial Analyst	-	-
11-04	Project Engineer	-	-
16	Other Costs	-	-
29	Sub-Contracts	-	329 568.07
49	Equipment	-	-
59	Miscellaneous	-	-
99	Total	-	329 568.07
	Admin. Expenses 13%		42 843.85
			372 411.92

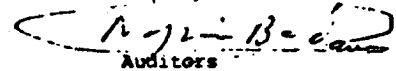
Nezhet M. Tayib



Director of Finance

Arab Fund for Economic and Social
Development- Kuwait

Talal Abu Ghazaleh & Co.



Auditors

Talal Abu Ghazaleh
& Co. Kuwait

1...

Deloitte Haskins + Sells

Executive Office

1114 Avenue of the Americas
New York, New York 10036
(212) 790-0500
Telex 12267

OPINION OF INDEPENDENT AUDITORS

Asian Development Bank - Executing Agency
for the United Nations Development Programme:

We have examined the following statement and supplemental schedules relating to funds for projects as to which the Bank is the Executing Agency for the United Nations Development Programme:

Statement I - Status of Funds as at 31 December
1983

Schedule 1 - Expenditures by Source of Funds for the
year ended 31 December 1983

Schedule 2 - Expenditures by Country for the year ended
31 December 1983

Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The aforementioned statement and schedules have been prepared in accordance with the format and accounting practices prescribed by United Nations Development Programme ("UNDP"); on such basis, expenditures are recognized when obligations are incurred but allocations are recognized as a fund asset when drawn from UNDP. Accordingly, the statement is not intended to present financial position or results of operations in conformity with generally accepted accounting principles.

/...

In our opinion, the accompanying statement presents fairly the status as of 31 December 1983 of funds for which the Bank is the Executing Agency for the United Nations Development Programme and the receipts and expenditures of such funds for the year then ended on the basis of accounting described in the preceding paragraph, which basis has been applied in a manner consistent with that of the preceding year, and the accompanying supplemental schedules, when considered in relation to the aforementioned statement, present fairly in all material respects the information shown therein.

Deloitte Haskins & Sells

2 March 1984


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STATEMENT I
 United Nations Development Programme
 Asian Development Bank
 (Executing Agency)
Status of Funds as at 31 December 1983
 (Expressed in US dollars)

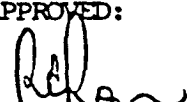
Operating Fund

Balance at 1 January 1983		\$(320 988.88)
Add: Cash drawings from UNDP	\$3 479 432.63	
IOVs and other charges (net)	123 265.55	
Miscellaneous income and exchange adjustments (net)	1 550.42	
Miscellaneous items refunded to UNDP (net)	(95 664.23)	<u>3 508 584.37</u>
		3 187 595.49
Less: Expenditures during 1983 - Schedule 1		
For projects:		
Disbursements	1 884 361.14	
Unliquidated obligations	1 013 842.70	
For programme support costs	<u>376 766.88</u>	<u>(3 274 970.72)</u>
Balance at 31 December 1983		<u><u>\$(87 375.23)</u></u>
Represented by:		
Cash at banks, on hand and in transit		\$ 164 779.10
Accounts receivable		<u>1 047 565.02</u>
		1 212 344.12
Less: Accounts payable	285 876.65	
1983 Unliquidated obligations	<u>1 013 842.70</u>	<u>(1 299 719.35)</u>
		<u><u>\$(87 375.23)</u></u>

CERTIFIED CORRECT:


 SHAMSHAD ALI KHAN
 Assistant Controller

APPROVED:


 RONALD G. ROSE
 Controller

STATEMENT V*

UNDP: UNITED NATIONS DEVELOPMENT PROGRAMME ACCOUNT
UNITED NATIONS DEVELOPMENT PROGRAMME AS AN EXECUTING
AGENCY FOR ITS PROJECTS

Status of funds as at 31 December 1983

(United States dollars)

<u>1982</u>		<u>1983</u>
(15 843 801)	Balance at beginning of year	(11 688 524)
61 426 093	Add: Cash drawings, interoffice vouchers and other charges (net)	50 181 053
13 030	Miscellaneous income and exchange adjustments (net)	(55 157)
17 610	Miscellaneous items refunded to UNDP (net)	(24 053)
45 612 932		38 413 319
	Less: Expenditure during 1983	
	For projects executed by UNDP:	
46 626 527	Executed by the Office for Projects Execution	37 833 501
297 452	Other amounts charged to IPFs	-
46 923 979		37 833 501 ^{a/}
5 556 398	For projects executed by the United Nations Volunteers programme	4 796 367 ^{a/}
52 480 377		42 629 868
	For support costs:	
4 617 177	Administrative costs of the Office for Projects Execution and IAPSU	(schedule 7) 5 247 129
203 902	Support costs paid by the Office for Projects Execution to associated agencies (net)	(note 10) 146 682
4 821 079		5 393 811 ^{a/}
57 301 456		48 023 679
(11 688 524)	Balance at end of year	(9 610 360)
	Represented by:	
	Unliquidated obligations	
(11 680 694)	Office for Projects Execution	(9 588 810)
(7 830)	United Nations Volunteers programme	(21 550)
(11 688 524)		(9 610 360)

^{a/} As shown in schedule 6 to the nearest thousand dollars.

*Extract from Official Records of the General Assembly, Thirty-ninth Session, Supplement No. 5A (A/39/5/Add.1), which also contains the report of the United Nations Board of Auditors on the UNDP financial statements for 1983.

