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of the  
United Nations  
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 1984 (expressed in US Dollars)

	United Nations	UNIDO	UNCTAD	ECA	ESCAP	ECE	ECLAC	ECMA	ITC	UNHCR	ILO	FAO	UNESCO	ICAO	WHO
<b>Operating Fund</b>															
Balance at 1 January 1984	(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
Add: Cash drawings from UNDP	52 650 405	38 326 000	6 168 929	1 200 000	4 883 669	204 904	1 270 000	297 000	3 193 456	9 480 746	33 165 000	70 277 871	24 567 000	20 692 000	5 906 585
IOV and other charges (net)	28 921 104	20 618 325	2 301 878	2 627 850	2 856 535	279 917	105 177	309 998	3 027 740	5 917 676	13 039 264	60 663 337	19 098 966	5 140 461	7 853 795
Miscellaneous income and exchange adjustments (net)	(456 363)	303 981	44 948	-	40 081	(64)	-	6 720	13 774	(53 858)	62 132	(305 108)	(161 345)	12 246	(870)
Miscellaneous items refunded to (by) UNDP (net)	281 480	(27 146)	46 489	3 197	-	-	63 773	2 928	-	100 770	(133 621)	203 200	250 887	9 661	269 805
Extra-ordinary items relating to prior years	-	-	-	-	-	-	-	-	-	-	-	-	-	3 197 675	-
	56 441 508	42 784 426	6 240 166	4 148 184	5 657 105	700 147	1 749 332	401 890	6 234 970	7 875 463	41 609 503	115 117 445	36 103 761	24 578 779	18 476 763
<b>Deduct: Expenditure during 1984</b>															
For projects	76 709 094	56 622 125	7 160 860	5 836 951	5 578 381	649 726	1 339 082	631 860	5 899 946	10 508 402	37 334 118	110 493 299	36 499 936	26 760 696	13 188 329
For programme support costs	10 511 121	7 890 157	996 012	817 173	712 668	90 962	187 471	82 142	748 784	1 409 119	5 223 619	15 129 511	5 051 397	3 731 250	1 808 593
	87 220 215	64 512 282	8 156 872	6 654 124	6 291 049	740 688	1 526 553	714 002	6 648 730	11 917 521	42 557 737	125 622 810	41 551 333	30 491 946	14 996 922
Balance as at 31 December 1984 <sup>a/</sup>	(30 778 707)	(21 727 856)	(1 916 706)	(2 505 940)	(633 944)	(40 541)	222 779	(312 112)	(413 760)	(4 042 058)	(948 234)	(10 505 365)	(5 447 572)	(5 913 167)	3 479 841
<b>Represented by:</b>															
Cash at bank, on hand and in transit	2 975 470	3 167 882	890 152	1 442 251	495 496	-	-	19 913	153 770	1 136 101	18 408 748	10 659 470	3 318 805	2 862 937	-
Accounts receivable	2 130 067	16 360 616	661 431	-	385 994	70 703	465 425	107 887	979 304	199 009	4 678 019	8 099 701	6 921 417	1 910 529	3 479 841
	5 105 517	19 528 498	1 551 583	1 442 251	881 490	70 703	465 425	127 800	1 133 074	1 335 110	23 086 767	18 759 171	10 240 222	4 773 466	3 479 841
<b>Deduct: Accounts payable</b>															
1984 Unliquidated Obligations	8 165 878	20 502 766	1 035 758	1 999 717	487 985	68 495	-	422 877	210 185	1 228 673	18 405 755	13 034 937	3 622 844	4 143 193	-
	27 718 346	20 753 588	2 412 531	1 988 474	1 027 449	42 749	242 646	17 035	1 336 649	4 148 495	5 629 246	16 229 599	12 064 950	6 543 440	-
	35 884 224	41 256 354	3 448 289	3 948 191	1 515 434	111 244	242 646	439 912	1 546 834	5 377 168	24 035 001	29 264 536	15 687 794	10 686 633	-
Balance as above <sup>a/</sup>	(30 778 707)	(21 727 856)	(1 916 706)	(2 505 940)	(633 944)	(40 541)	222 779	(312 112)	(413 760)	(4 042 058)	(948 234)	(10 505 365)	(5 447 572)	(5 913 167)	3 479 841

<sup>a/</sup> 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 1984 (expressed in US dollars)

Operating Fund	World Bank	UNU	ITU	WHO	IMO	WIPO	IAEA	WTO	AFESD	AADB	IDB	GOVERN- MENTS	SUBTOTAL	UNDP	TOTAL
Balance at 1 January 1984	(9 030 311)	(149 290)	(858 655)	(2 110 536)	(2 105 527)	(240 281)	(2 456 804)	(125 695)	(372 412)	(87 375)	21 834	1 913 367	(96 303 223)	(9 610 360)	(105 913 583)
Add: Cash drawings from UNDP	34 594 919	580 000	12 643 445	8 331 801	6 487 733	956 671	2 580 000	610 000	372 412	5 296 920	-	13 000 068	357 737 534	-	357 737 534
IOV and other charges (net)	7 922 127	1 037 939	6 828 573	6 707 420	1 974 334	780 149	2 295 509	109 246	2 861	110 400	(1 825)	7 494 297	208 023 053	44 608 657	252 631 710
Miscellaneous income and exchange adjustments (net)	(176 746)	(11 283)	33 063	(57 797)	20 965	17 432	(14 516)	3 936	15 863	7 263	-	92 892	(562 634)	(40 880)	(603 514)
Miscellaneous items refunded to (by) UNDP (net)	-	266	7 116	(12 185)	(795)	115	-	5 517	-	(28 109)	-	-	1 043 348	47 064	1 090 412
Extra-ordinary item relating to prior years	-	-	-	-	-	-	-	-	-	-	-	-	3 197 675	-	3 197 675
	33 309 989	1 457 632	18 653 542	12 858 703	6 376 710	1 514 086	2 404 189	603 004	18 724	5 299 099	20 009	22 500 624	473 135 753	35 004 481	508 140 234
Deduct: Expenditure during 1984															
For projects	35 584 913	1 595 911	18 485 143	11 824 706	6 536 119	1 325 724	2 248 738	543 010	61 695	4 676 341	-	18 272 407	496 367 512	39 343 334	535 710 846
For programme support costs	3 317 273	351 100	2 482 833	1 700 103	1 100 000	291 659	494 722	69 639	8 020	607 924	-	317 000	65 130 252	5 026 655	70 156 907
	38 902 186	1 947 011	20 967 976	13 524 809	7 636 119	1 617 383	2 743 460	612 649	69 715	5 284 265	-	18 589 407	561 497 764	44 369 989	605 867 753
Balance as at 31 December 1984 <sup>a/</sup>	(5 592 197)	(489 379)	(2 314 434)	(666 106)	(1 259 409)	(103 297)	(339 271)	(9 645)	(50 991)	14 834	20 009	3 911 217	(88 362 011)	(9 365 508)	(97 727 519)
Represented by:															
Cash at bank, on hand and in transit	3 495 673	268 418	686 773	724 486	109 553	(666)	553 994	52 634	-	535 119	20 009	3 911 217	55 888 225	-	55 888 225
Accounts receivable	2 969 822	105 924	1 232 470	710 303	89 184	210 844	149 475	8 170	-	760 396	-	-	52 666 511	-	52 666 511
	6 465 495	374 342	1 919 243	1 434 789	198 737	210 198	703 469	60 804	-	1 295 515	20 009	3 911 217	108 554 736	-	108 554 736
Deduct: Accounts payable	4 013 111	336 253	1 008 136	1 025 438	708 101	282 162	273 886	70 449	50 991	136 710	-	-	81 194 300	-	81 194 300
1984 Unliquidated Obligations	8 044 581	527 468	3 225 541	1 075 457	750 045	31 333	768 854	-	-	1 143 971	-	-	115 722 447	9 365 508	125 087 955
	12 057 692	863 721	4 233 677	2 100 895	1 458 146	313 495	1 042 740	70 449	50 991	1 280 681	-	-	196 916 747	9 365 508	206 282 255
Balance as above <sup>a/</sup>	(5 592 197)	(489 379)	(2 314 434)	(666 106)	(1 259 409)	(103 297)	(339 271)	(9 645)	(50 991)	14 834	20 009	3 911 217	(88 362 011)	(9 365 508)	(97 727 519)

<sup>a/</sup> 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.

INTERNATIONAL CIVIL AVIATION ORGANIZATION

UNITED NATIONS DEVELOPMENT PROGRAMME

Notes to the Statement of the Status of Funds

(Statement VII)

31 December 1984

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 in accordance with the format and directives prescribed by UNDP. The accounts of ICAO are recorded in United States dollars. Transactions and account balances in other currencies are converted into United States dollars at the United Nations operational rates of exchange.

(b) Expenditures for projects

Expenditures include disbursements and unliquidated obligations for which funds have been provided in approved project budgets in the current year. Expenditures are accounted for 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 subcontracts: on the basis of the payment schedule included in the contract with the subcontractor;
- For miscellaneous: on the basis of issuance of authorization to pay for miscellaneous goods or services delivered or for which firm orders have been placed for delivery in the current year.

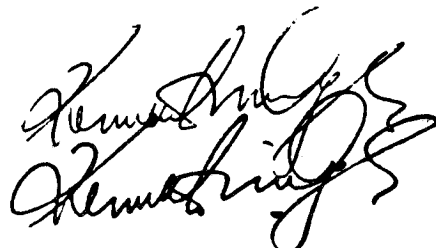
(c) Programme support costs

Programme support costs are based on a fixed rate determined by UNDP and are calculated on actual project costs.

**AUDIT OPINION**

I have examined the Statement of 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 1984. 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 this Statement of the Status of Funds 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 1984, in conformity with the accounting policies described in Note 2 to the statement.



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

10 May 1985

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

## UNITED NATIONS DEVELOPMENT PROGRAMME

## STATEMENT OF THE STATUS OF FUNDS

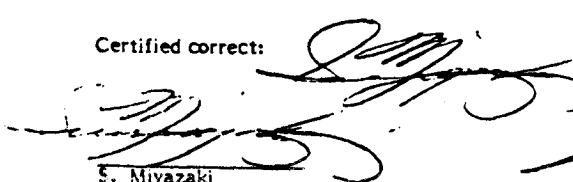
AS AT 31 DECEMBER 1984

(in United States dollars)

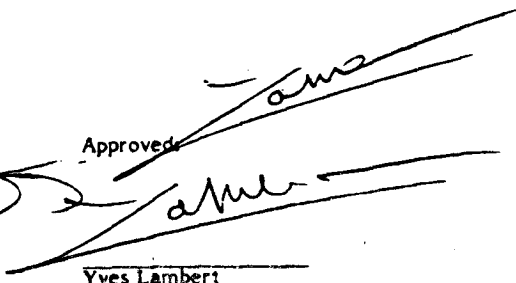
	<u>1984</u>	<u>1983</u>
<b>OPERATING FUND</b>		
Balance at beginning of year	(4 473 264)	(7 880 110)
Add:		
Cash drawings from UNDP	20 692 000	25 364 000
UNDP inter-office vouchers and other charges	5 140 461	9 411 385
Miscellaneous income and exchange adjustments	12 246	116 735
Miscellaneous items to be refunded to UNDP	<u>9 661</u>	<u>13 142</u>
	25 854 368	34 905 262
	21 381 104	27 025 150
Deduct:		
Expenditures during the year (Schedules E,F,G)		
For projects		
Disbursements	20 217 256	21 618 629
Unliquidated obligations	6 543 440	6 014 384
For programme support costs	<u>3 731 250</u>	<u>3 865 403</u>
Proceeds from extraordinary sale of equipment	(3 197 675)	31 498 416
Balance at end of year	<u>(5 913 167)</u>	<u>(4 473 264)</u>
<b>REPRESENTED BY:</b>		
Cash in banks, on hand and in transit	2 862 937	3 419 520
Due from other Funds:		
AOSC Fund	194 385	547 972
ICAO General Fund	78 786	625 602
Aeronautical Technical Training Fund		13
Governments' Trust Fund accounts	241 063	365 685
UN/UNDP Trust Fund accounts	<u>82 814</u>	<u>129 731</u>
Accounts receivable and sundry debit balances	1 313 481	1 669 003
	4 773 466	1 194 995
	6 283 521	6 283 521
Less:		
Due to other Funds:		
Termination Payment Fund	22 914	404 342
Governments' Trust Fund accounts	262 446	345 242
UN/UNDP Trust Fund accounts	<u>571</u>	<u>749 584</u>
Accounts payable and sundry credit balances	3 857 262	3 992 817
Unliquidated obligations - current year	6 543 440	6 014 384
	10 686 633	10 756 785
	<u>(5 913 167)</u>	<u>(4 473 264)</u>

Certified correct:

Approved:



S. Miyazaki  
Chief, Finance Branch



Yves Lambert  
Secretary General

/...





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

September 13, 1985

International Bank for Reconstruction  
and Development

Dear Sirs:

We have completed our examinations of the financial statements for the year ended 31 December 1984 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 external audit examinations which were being performed on the accounts of executing agencies. The 1984 examination continued to include expanded procedures in response to that request. The report clarifies the nature and scope of the examination covered by our report on the financial statements for the year ended 31 December 1984, and describes the supplemental procedures we provided to address the General Council's request.

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 1984

Nature and scope of audit services performed

Report considerations

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 1984. Accordingly, we have issued our audit report dated 19 April 1985 on these financial statements.

Our audit report on the 1984 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 1984.

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 systems) 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 to express 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 co-ordinate our work with IAD to the extent possible in order to avoid any unnecessary duplication. During the fiscal year 1984 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 has almost completed implementation of a new data processing system. Although the system was not in place for use in 1984, it is expected to be partially utilized during 1985, and will be helpful in increasing the efficiency of the Trust Fund Unit. We will review the general and application controls surrounding the new automated system in connection with next year's examination. We will also begin the development of computer-assisted audit techniques, including the development of diagnostic audit software which will allow us to directly access the accounting records in performing analytical reviews.

Audit approach by audit area

Cash

There are approximately 140 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 1984 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 1984.

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 1984 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 received satisfactory 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 material to the financial statements taken as a whole. 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 1984 to projects begun prior to 1984. We compared disbursements to date with approved allocations for each project and noted no overruns.

Government counterpart contributions were summarized and tested as considered necessary. These contributions can be made either 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

We expend a significant amount of audit effort in this area due to the complexity of the disbursement system. Disbursements are also material to the financial statements. We performed extensive testing to establish whether internal controls could be relied on for audit testing. These tests included a voucher exam where disbursements were selected randomly for testing and evaluated using statistical sampling techniques. Our testing of selected disbursements included examination for proper support, appropriate approval, and correct distribution by project and general ledger account. Our 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 1983 to the World Bank for overhead was credited in 1984. We reviewed the backup for 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 currency exchange rates established by UNDP. 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 14 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;
- (c) The World Bank's follow-up procedures in connection with problems noted in the progress reports were adequate; and
- (d) Project expenditures were within budgeted expenditures.

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:

#### Review of procurement procedures

All the the 14 projects reviewed included procurement of either consultants, experts/fellowships and/or equipment. In all but one 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 list of qualified consultants, the review of all proposals submitted and the negotiation of a final contract. In projects involving the procurement of expert/fellowship, 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.

Extensive dialogue has taken place between the World Bank and UNDP regarding the project where procedures have not been followed, as this is a project which has had a number of problems. Specific procedures not followed included the selection and fielding of experts without the approval of the country involved.

#### Review of progress reports

In 3 of the 14 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.

#### Review of problem follow-up

In all but one of the projects where problems were noted in the progress reports (4 of the 14 projects), the follow-up procedures performed by the World Bank appeared to be adequate. In each case, the World Bank had taken steps to address the problems noted in the progress reports.

The project in which follow-up procedures were not performed was the same project mentioned above in which procurement procedures were not followed. Again, discussions between the World Bank and UNDP have taken place regarding the proper follow-up procedures to be performed on this project.

### Review of budgets

In all cases, actual expenditures fell within budgeted expenditures, or budgets were accordingly revised by the World Bank. All revised budgets were properly approved by UNDP and Government officials.

### Review of internal audit work

The World Bank's Internal Auditing Department (IAD) performed three reviews in the current year that related to UNDP projects. All three involved reviews of the contract charges of certain consulting firms working on UNDP projects. We reviewed two of the final reports and the 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 final report for the third review was not issued as of the date of our report. We will review the final report and related workpapers in connection with next year's examination.

We also reviewed the final report and the related IAD workpapers for a review performed during 1983, for which the report had not yet been released at the date of our 1983 report. This IAD audit involved a general review of the World Bank as an executing agency of UNDP projects, and noted that, overall, the World Bank's executing agency function is being administered efficiently and effectively. This report also contained certain specific recommendations of an internal nature that did not impact our review.



"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 IMPROVEMENTS IN INTERNAL ACCOUNTING CONTROL

Recommendation 1. Analyze those general ledger accounts with little or no activity, so that appropriate dispositions can be made.

During several facets of our examination in the current year, we noted ledger accounts which were unchanged in amount from the prior year (or earlier years). Other accounts had considerable stagnant data from earlier years. Affected areas included receivables and payables.

We recommend that a comprehensive analysis be performed of all accounts with such dormant data, to determine if obligations actually exist, receivables should be written off, etc. Note that UNDP reporting requirements, regarding payables, require that such a review be performed to determine that "only those for which a firm liability to pay the amount obligated still exists".

We understand that, for some accounts at least, such a procedure has been initiated.

Recommendation 2. Consider further expansion of the resources devoted to the UNDP/Trust Fund function.

During our prior 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. In the current year, the design of the new system was completed. Testing of the system is planned for 1985, and final implementation is projected in time for the 1985 closing. We are encouraged by these efforts.

We again recommend that management consider whether this commitment of resources could be broadened to include personnel resources. With the exception of the addition of a new section chief, the budget and head count of the unit has remained unchanged from the prior year. Greater manpower would allow the UNDP/Trust Fund Unit to develop greater controls through segregation of duties and allow more time to address the concerns contained in this letter.

Recommendation 3. Periodically reconcile the Operating Fund Statements received from UNDP to the books of account.

We are pleased to note substantial progress in this area. The reconciliation of UNDP's periodic statement to the accounting records is performed by personnel of the Trust Fund Unit in two steps, as follows:

- Inter-office voucher (IOV) charges are received from field representatives and logged with the supporting journal entry. These are compared to Operating Fund Statements (OFS) with discrepancies being pursued with UNDP;
- Cash drawings and other charges per the OFS are compared to the World Bank requests for funds and the booking of remittances. Discrepancies are pursued with UNDP here also.

The above procedures are performed with the receipt of each periodic statement received from UNDP (approximately 8-10 per year, beginning late spring or summer). We recommend that the procedure be enhanced by preparation of a reconciliation schedule/document for each statement, showing specific reconciling items, its dollar impact, action being taken and the results of action taken on earlier reconciling items. Such a document would present the difference between the operating fund's balance per UNDP and the World Bank, and would be escalated within the unit for management review and approval.

One of the main factors still hindering the efficient completion of this recommendation is that UNDP does not always provide the 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 they could generate the OFS on a more timely basis.

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

Transactions giving rise to receivables and payable between the World Bank and UNDP occur each year. During earlier examinations, 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, even though the year-end balance rose significantly over the prior year. We understand that current staff levels and work requirements do not allow for such a procedure.

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. Consider further expansion of the resources devoted to the UNDP/Trust Fund function.

See current year recommendation 2.

Recommendation 2. Periodically reconcile the Operating Fund Statements received from UNDP to the books of account.

See current year recommendation 3.

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

We noted in last year's recommendation that management had taken steps to implement this point. Specifically, separate ledger accounts have been established for allocations, cash drawings, and inter-office vouchers (IOVs) of the current year only. These items are closed to the cumulative accounts of the same data at year-end. We understand that current year data for these accounts made statement preparation considerably easier.

These efforts adequately address our recommendations.

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.

We noted misclassification of funds in the current year, either between funds with separate reporting requirements and those designated for IPF activity, or among separate funds. We understand that improved tracking and reconciling of funds is now being performed.

These efforts adequately address our recommendation.

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

See current year recommendation 4.

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

We noted substantial progress on this recommendation in the prior year. We continue to emphasize that disbursement personnel review the bookings of allocations. This is still not being performed, pending, we understand, the automation of the new system in 1985.

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 should be prepared and periodically reconciled to the allocations per Report 2A. To provide additional control, we would recommend that this listing be maintained reconciled to Report 2A by disbursement personnel. This would provide an independent verification of the balances recorded by accounting personnel.

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\* 1982 recommendation.

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME  
 EXECUTING AGENCY: INTERNATIONAL BANK FOR  
 RECONSTRUCTION AND DEVELOPMENT  
 STATUS OF FUNDS  
 YEAR ENDED 31 DECEMBER 1984  
 (in US dollars)

<u>Operating Fund</u>	<u>\$</u>	<u>\$</u>
Balance as of 31 December 1983		(9 030 311)
Add:		
Cash drawings from UNDP	34 594 919	
Other charges (net)	567 351	
Inter-office voucher charges	7 354 776	
Miscellaneous income and exchange adjustments (net)	<u>(176 746)</u>	<u>42 340 300</u>
		33 309 989
Deduct:		
Expenditures during 1984 (Statements II and III) For projects		
Disbursements	27 540 332	
Unliquidated obligations	8 044 581	
Programme support costs	<u>3 317 273</u>	<u>38 902 186</u>
Balance as of 31 December 1984		<u>(5 592 197)</u>
Represented by:		
Cash at banks and in transit		3 495 673
Accounts receivable		<u>2 969 822</u>
		6 465 495
Deduct:		
Accounts payable and accrued expenses	2 823 011	
Prior years unliquidated obligations	1 190 100	
1984 unliquidated obligations	<u>8 044 581</u>	<u>12 057 692</u>
		<u>(5 592 197)</u>

The accompanying footnotes are an integral part  
 of the financial statements.

/...

DP/1986/64/Add.1  
English  
Page 22

[Original: French]

Federal Audit Office

UNIVERSAL POSTAL UNION, BERNE

ACCOUNTS OF TECHNICAL CO-OPERATION PROJECTS OF THE UNITED NATIONS DEVELOPMENT  
PROGRAMME

FINANCIAL YEAR 1984

EXTERNAL AUDITOR'S REPORT

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 1984. 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 Mr. G. Beney, Counsellor, Head of the Finance Section.

2. Audits and observations

2.1 Our audits were conducted in conformity with generally accepted common auditing standards, respecting the additional terms of reference attached to the UPU Financial Regulations and in accordance with the rules issued by UNDP.

Our audits by sampling dealt with the accounting of the movements relating to the IPF, SPR and LDCs allocations, the expenditure and proceeds of the financial year and cash. The correctness of the amounts given in the financial statements at 31 December 1984 (Statement I, Schedules 1 and 2) was checked, and the balances of the various cash accounts at that same date were compared with those given in the statements issued by the banks postal giro centres. The other main assets and liabilities were examined and a comparison was made between the latest UNDP document (OFS 84-10) and the amounts entered in UPU's accounts at 31 December 1984.

By sampling, the emoluments, mission expenses and any other allowances paid to the experts and consultants 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 some projects executed within the framework of the United Nation Development Programme. On the basis of the files which they selected, they took note of the project documents, the progress reports and the reports on the tripartite reviews. Where reports were missing, the appropriate UPU officials explained why.

2.2 When auditing IPF, SPR and LDCs allocations entered in UPU's accounts at 31 December 1984, I noted that the IPF allocation relating to project CHD/83/031 of \$662,000 was not mentioned on the "Status of Allocation by Agency" statement at 31 December 1984, although I was presented with the signed project document and although the expenditure was entered in 1984. I should be grateful if you would take this matter up with the appropriate services so as to clarify this difference.

2.3 I took note of the measures taken by the International Bureau of UPU to adjust the cash level as closely as possible to the needs generated by the implementation of UNDP projects and to see that the temporary surplus of available funds in Swiss francs noted during the year has no negative repercussions on the "sundry revenue and exchange adjustments" item.

2.4 The 1984 support costs put to account by the UPU International Bureau were calculated on the figures of the expenditure and of outstanding obligations concerning IPF, SPR and LDCs projects at the overall rate of 22 per cent, in accordance with the decision of the Governing Council, at its twenty-eighth session, and the agreement given by the UNDP Administrator.

2.5 The comparatively high figure for outstanding obligations at the end of 1984 can be explained in part by the purchases of equipment for a regional project for which the allocations to 10 countries are totally or partially included under this item. Moreover, the tardiness in the transmission of some IOVs also contributes to increasing the level of these obligations.

2.6 As already mentioned in my previous report, the International Bureau of UPU has still not been credited with a payment of \$114,404.47 which a member country made in 1983 to a Resident Representative in favour of UPU. The dispute at law about the convertibility and transfer of this debit has not yet been settled.

2.7 The information sent to me by the Director-General of the International Bureau of UPU about the construction of the six post offices to which I referred in my report on the 1983 financial year shows that the two missing offices had not yet been built but that, according to the Minister of Posts and Telecommunications of the country concerned, construction was due to begin in 1985. Moreover, UPU is still awaiting details of the cost and balance of this operation.

In the interests of seeing that the allocation is used economically and effectively, I feel that it is up to the International Bureau of UPU, in co-operation with UNDP, to take all necessary steps to obtain settlement in accordance with the objectives of this project.



2.8 For one project which had to be interrupted, the tripartite review report mentions in particular that the vehicles supplied under the heading of equipment are no longer being used in conformity with the objectives. Nevertheless, the deed transferring ownership of the equipment to the beneficiary Government has been drawn up and signed. Although I am aware of the difficulties involved in changing this state of affairs, the question of the justification for ceding ownership in such a case arises because transfer of such terms does not seem to me to be authorized by the UNDP regulations.

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 I).

(Signed) W. Frei  
Deputy Director  
SWISS FEDERAL AUDIT OFFICE  
(External Auditor)

UNIVERSAL POSTAL UNION  
INTERNATIONAL BUREAU

## STATEMENT I

## UNITED NATIONS DEVELOPMENT PROGRAMME

Status of funds as at 31 December 1984  
(Expressed in US dollars)

<u>Operating Fund</u>	\$	\$
Balance at 1 January 1984		(149 289.86)
Add: Cash drawings from UNDP	580 000.00	
IOVs and other charges (net)	1 037 938.74	
Miscellaneous income and exchange adjustments (net)	(11 282.40)	
Miscellaneous items refunded to UNDP (net)	<u>266.00</u>	<u>1 606 922.34</u>
		1 457 632.48
Less: Expenditure during 1984		
- For projects		
Disbursements (Schedule 1)	1 068 443.00	
Unliquidated obligations (Schedule 1)	527 468.00	
- For programme support costs (Schedule 1)	351 100.42	1 947 011.42
Balance at 31 December 1984		<u>(489 378.94)</u>
Represented by:		
Cash at banks, on hand and in transit		268 418.15
Accounts receivable		<u>105 924.41</u>
		374 342.56
Less: Accounts payable	336 253.50	
1984 Unliquidated obligations	<u>527 468.00</u>	<u>863 721.50</u>
		(489 378.94)

CERTIFIED CORRECT:



G BENEY  
Head, Finance Section

APPROVED:

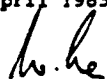


F CICERON  
Deputy Director-General

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 2 April 1985.

Berne, 2 April 1985



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

## UNITED NATIONS DEVELOPMENT PROGRAMME

REPORT OF THE EXTERNAL AUDITOR ON THE STATEMENT  
SHOWING AS AT 31 DECEMBER 1984 THE STATUS OF FUNDS ADVANCED TO THE  
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 1984, in my capacity of external auditor for ITU. 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 my colleagues and I approached in supplying the information and documents needed for the performance of my task.

During the audit, regular contact was maintained 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 standard auditing procedures, in conformity with both the additional terms of reference attached to the Financial Regulations of ITU and the relevant UNDP rules.

In the course of their investigations, my colleagues reviewed the methods and organizational arrangements made for financial management. These may be regarded as meeting Union requirements.

Spot checks were made of the posting to account of movements relating to allocations for Indicative Planning Figures (IPF), Special Measures for the Least Developed Countries (LDCs) and Government Cash Counterpart Contributions (GCCC), expenditure and income during the financial year and liquid funds. The accuracy of items appearing in the financial statements at 31 December 1984 (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 bank statements. The other main items, both assets and liabilities, were inspected and the amounts appearing in ITU accounts at 31 December 1984 were compared with the latest UNDP document (OFS 84-11).

By means of spot checks, the remuneration, mission expenses and other allowances, if any, 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 several projects executed as part of the United Nations Development Programme. On the basis of selected files, they examined project documents, progress reports and reports on tripartite reviews.

In certain instances where reports were missing, reasons were given by the responsible ITU officials. In reply to questions raised, explanations and additional details were provided, in some cases by the project managers themselves.

2.3 The financial statements at 31 December 1984 still contain, under the heading "Accounts receivable", an amount of US\$611,871.65 debited by ITU and not entered in the UNDP statement relating to a payment in local currency made in 1983 by a Member of the Union to a resident representative in settlement of contributions to ITU. The dispute over the convertibility and transfer of this credit has not yet been settled. At the end of April 1985, ITU received a credit note for only US\$118,980.72.

I was informed that the Secretary-General will continue to pursue the matter.

2.4 Support costs for 1984 posted to account by ITU were determined on the basis of project expenditure in 1984, including unliquidated obligations, in accordance with the special arrangements made for the period 1982-1986 by decision of the UNDP Governing Council.

3. Conclusions

As a result of the operations 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 following documents:

- Statement for UNDP projects (Annex 1);
- Statement for UNDP sectoral support INT 78/020;
- Statement for UNDP funds-in-trust for Lesotho 76/020;
- Statement for UNDP funds-in-trust for Namibia 79/010;
- Statement for UNDP funds-in-trust for Swaziland 76/009;
- Statement for subcontracted UNCDF funds-in-trust for Lesotho 80/003.

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

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME  
 (International Telecommunication Union)  
Status of funds as at 31 December 1984  
 (US dollars)

Operating fund

Balance as at 1 January 1984		( 858 655.21)
Add :		
Cash drawings from UNDP		12 643 445.44
I.O.V. and other charges (net)		6 828 572.68
Miscellaneous income and exchange adjustments (net)		33 063.21
Savings from completed projects		7 116.02
		<hr/>
		18 653 542.14
Deduct :		
Expenditure during 1984 (Schedule I)		
For projects : Disbursements	15 259 602.-	
Unliquidated obligations	3 225 541.-	
For programme support costs	2 482 833.-	20 967 976.-
		<hr/>
Balance as at 31 December 1984		( 2 314 433.86)
		*****
<u>Represented by :</u>		
Cash at banks, on hand and in transit		686 772.80
Accounts receivable		1 232 469.74
		<hr/>
		1 919 242.54
Deduct :		
Accounts payable	1 008 135.40	
1984 Unliquidated obligations	3 225 541.-	4 233 676.40
		<hr/>
		( 2 314 433.86)
		*****

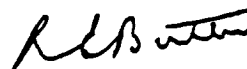
Certified correct :

Approved :



R. PRELAZ

Chief of the Finance Department



R.E. BUTLER

Secretary-General

Audit Certificate

I have examined the above financial statement. 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.

The financial statement presents fairly the financial position as at 31 December 1984 and the results of its operations for the period then ended.



W. FREI

Deputy Director  
 Swiss Federal Audit Office  
 (External Auditor)

Date : 11 March 1985

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## UNITED NATIONS DEVELOPMENT PROGRAMME

REPORT OF THE EXTERNAL AUDITOR ON THE STATEMENT  
SHOWING AS AT 31 DECEMBER 1984 THE STATUS OF FUNDS ADVANCED TO  
THE WORLD METEOROLOGICAL ORGANIZATION  
BY THE UNITED NATIONS DEVELOPMENT PROGRAMMEGeneral

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 1984, 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 1984. 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 \$13,524,809 in 1984 was about 3 per cent more than in 1983.

Programme support costs

3. Costs incurred by WMO in administering UNDP projects are charged to the Organization's Technical Co-operation Fund. The UNDP contribution to the Fund in 1984 was \$1,700,103 representing the difference between the costs charged to the Fund and the contributions from trust funds and other sources. This sum comprised the normal UNDP contribution of \$1,537,212 plus a flexibility allowance of \$162,891 granted in accordance with the arrangements for small agencies approved by the UNDP Governing Council at its twenty-eighth session in June 1981.

Purchase of a radar system for a UNDP project

4. In the course of my staff's test audit of UNDP project expenditure incurred in 1984 they reviewed the circumstances under which WMO agreed to share with a recipient Government the cost of purchasing a weather radar system for \$830,000.
5. The contract for the supply of the equipment was placed by the recipient Government with a supplier selected under normal WMO tendering procedures. It provided for the recipient Government to pay \$500,000 and for WMO to pay the remaining \$330,000. WMO agreed with this method of procurement because the recipient Government was unwilling to pay WMO the full support costs on its contribution under the normal cost-sharing arrangements adopted when executing agencies negotiate procurement contracts. Because it finally negotiated the contract itself and deposited no funds with WMO the Government avoided any liability to meet WMO support costs.
6. Although these unusual arrangements had been proposed by the UNDP Resident Representative, I asked the Secretariat if it would seek the views of UNDP headquarters on the financial arrangements for cost-sharing projects of this type, including in particular the appropriate level of support costs. The Secretariat has now fully informed UNDP of the events which led it to depart from normal procedures. It has also asked for UNDP's comments on how it might best handle the financial arrangements of such cases in future. A reply from UNDP is awaited.
7. My staff noted that the WMO contribution of \$330,000 was paid to the contractor in July 1984 although delivery of the equipment was not due until March 1985. In reply to my inquiries, the Secretariat confirmed that, subsequent to the negotiation of the contract between the supplier and the recipient Government, it had agreed with the supplier to pay WMO's contribution in advance of delivery. It added that it had done so only at the specific request of both the recipient Government and the UNDP Resident Representative and that there had appeared to be no alternative if the project was to go ahead.
8. Advance payments of this kind are allowed by WMO's Financial Regulations where it is normal commercial practice and in the interest of the Organization. In this case, the Secretariat considered that it was dealing with a well-known and reliable supplier with whom it had placed several large orders in the past 10 years, all involving substantial down payments. The Secretariat also told me that the radar equipment was shipped to the recipient Government in February 1985, one month ahead of schedule, and that the associated data processing system would be shipped later, following the award of an export licence.



9. Although the advance payment by WMO was not governed by a contract between WMO and the supplier, and the equipment was not received until February 1985, it has been included in Statement I of the 1984 accounts as a disbursement instead of being included in accounts receivable as a payment in advance.

10. 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

23 May 1985

UNITED NATIONS DEVELOPMENT PROGRAMME  
WORLD METEOROLOGICAL ORGANIZATION  
Status of funds as at 31 December 1984

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*

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

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STATEMENT I

United Nations Development Programme

WORLD METEOROLOGICAL ORGANIZATION

Status of funds as at 31 December 1984  
 (in US Dollars)

Operating Fund

	\$	\$
Balance at 1 January 1984		(2 110 536)
Add: Cash drawings from UNDP		8 331 801
IOVs and other charges (net)		6 707 420
Miscellaneous income and exchange adjustments (net)		(57 797)
Miscellaneous items refunded to UNDP (net)		<u>(12 185)</u>
		12 858 703
Less: Expenditure during 1984		
For projects		
Disbursements (Schedule 1)	10 749 249	
Unliquidated obligations (Schedule 1)	1 075 457	
For programme support costs(Schedule 1)	<u>1 700 103</u>	<u>13 524 809</u>
Balance at 31 December 1984		(666 106) =====
Represented by :		
Cash at banks, on hand and in transit		724 486
Accounts receivable		<u>710 303</u>
		1 434 789
Less: Accounts payable	1 025 438	
1984 Unliquidated obligations	<u>1 075 457</u>	<u>2 100 895</u>
		(666 106) =====

CERTIFIED CORRECT

*A. Weber*  
 (A. Weber)  
 Chief, Finance and  
 Budget Division

APPROVED

*G.O.P. Obasi*  
 (G.O.P. Obasi)  
 Secretary-General

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 1984, are recorded in the annexed Statement I and the accompanying schedules in the form prescribed by 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 UNDP during the year amounted to \$6,487,733 whilst payments made on behalf of IMO directly from UNDP funds for programme expenditure and charged to IMO by inter-office voucher, totalled \$1,974,334. Net miscellaneous income was \$20,965 and miscellaneous charges and refunds resulted in a net charge of \$795, as set out in Schedule 7.

2.2 Expenditure on project activities during 1984 amounted to \$6,536,119 (compared with \$5,960,535 in 1983) made up of disbursements of \$5,786,074 plus unliquidated obligations of \$750,045. Programme support costs of \$1,100,000 brought the total expenditure to \$7,636,119. The negative balance of \$1,259,409 as at 31 December 1984 represents the value of cash resources still to be provided by UNDP to meet expenditure committed on the programme up to that date.

2.3 Unliquidated obligations remaining from previous years amounting to \$420,268 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 per cent of the \$6,536,119 project expenditure (\$849,695) plus an adjustment of \$103 and an amount of \$250,202 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 1984 was 52.

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. Srivastava  
Secretary-General

UNITED NATIONS DEVELOPMENT PROGRAMME

Report of the External Auditor on the statement showing  
as at 31 December 1984 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 1984. My examination of them has been carried out in accordance with the Financial Regulations and in conjunction with my audit of the regular budget and subsidiary funds of the Organization.

2. Statement I shows the resources made available to IMO by UNDP in 1984, 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 1984. The Statement 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. In my report on the 1983 Accounts I noted that the amounts of support costs payable to the Organization for 1982 and 1983, \$1.1 million for each year, were provisional pending final agreement with UNDP. Agreement was reached during 1984 and no adjustment was necessary in respect of two previous years.

---

5. 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

22 May 1985

UNITED NATIONS DEVELOPMENT PROGRAMME

STATEMENT SHOWING AS AT 31 DECEMBER 1984 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



UNITED NATIONS DEVELOPMENT PROGRAMME  
International Maritime Organization

Status of Funds as at 31 December 1984

<u>Operating Fund</u>	\$	\$
Balance at 1 January 1984		(2 105 527)
Add: Cash drawings from UNDP	6 487 733	
IOVs and other charges (net)	1 974 334	
Miscellaneous income and exchange adjustments (net)	20 965	
Miscellaneous items refunded to UNDP (net)	<u>(795)</u>	<u>8 482 237</u>
		6 376 710
Less: Expenditure during 1984		
for Projects:		
Disbursements (Schedule 1)	5 786 074	
Unliquidated obligations (Schedule 1)	750 045	
for programme support costs (Schedule 1)	<u>1 100 000</u>	<u>7 636 119</u>
Balance at 31 December 1984		<u>(1 259 409)</u>
Represented by:		
Cash at banks, on hand and in transit	109 553	
Accounts receivable	<u>89 184</u>	<u>198 737</u>
Less: Accounts payable	708 101	
1984 Unliquidated obligations	<u>750 045</u>	<u>1 458 146</u>
		<u>(1 259 409)</u>

CERTIFIED CORRECT

*J. A. Jackson*  
J.A. Jackson

Head, Technical Co-operation Finance Section  
Administrative Division

APPROVED

*C. P. Srivastava*  
C.P. Srivastava  
Secretary-General

/...

WORLD INTELLECTUAL PROPERTY ORGANIZATION, GENEVA

UNITED NATIONS DEVELOPMENT PROGRAMME  
TECHNICAL CO-OPERATION PROJECT ACCOUNTS

Financial year 1984

External audit report

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), I proceeded, in my capacity as external auditor, to examine the accounts of the technical co-operation projects expressed in United States dollars as at 31 December 1984. I was assisted in my work at the office of the International Bureau of WIPO in Geneva by Mr. F. Faessler, Chief of Section.

I should like to express my appreciation for the co-operation I received from all the officials of the International Bureau in providing the information and documents necessary for the performance of my task.

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

2. Audits and findings

2.1 The audits were carried out in accordance with commonly accepted auditing standards.

Spot checks were made to verify the posting to account of movements of income and expenditure for the financial year as well as the cash flow. The accuracy of the items listed in the financial statements as at 31 December 1984 (Statement I, Schedules 1 and 2) was verified. The cash balances as of that date were checked against the bank statements. The other main items under assets and liabilities were examined and the last UNDP statement of accounts (OFS 84-11) was compared with the amounts entered in the WIPO accounts as at 31 December 1984.

My colleague followed the financial development of a few projects executed under the United Nations Development Programme. On the basis of the files he selected, he analyzed the project documents, progress reports and reports on tripartite reviews.

2.2 In line with previous practice and its 1982 correspondence with the Deputy Administrator of UNDP, the International Bureau charged an amount of \$10,000, or about 9 per cent of 1984 expenditure, to sectoral support project INT/81/X48 under "Miscellaneous" to cover overhead costs incurred by the activities of the Adviser at WIPO headquarters. One-third of that amount represents telephone and telex costs.

2.3 The relatively high figures under expenditure and income shown in Statement I and annex 8 result from the inclusion of 1984 expenditure and portion of the allocations or funds credited to sectoral support project INT/81/X48, the USSR Fund on Deposit (INT/83/011) and project GUA/81/008, in which the International Bureau acts as an associated agency of the UNDP office for Projects Execution.

2.4 The 1984 support costs posted by the WIPO International Bureau were calculated on the basis of the figures for expenditure and unliquidated obligations relating to IPF projects at a global rate of 22 per cent, in accordance with the decision taken by the Governing Council at its twenty-eighth session and with the agreement of the Administrator of UNDP.

### 3. Conclusions

I have verified that the figures shown in the financial statements as at 31 December 1984 (Statement I, Schedules 1 and 2) agree with those shown in the accounts submitted.

Upon completion of my work, I issued the audit certificate annexed to this report certifying that the financial statements are correct.

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

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME  
 WORLD INTELLECTUAL PROPERTY ORGANIZATION

Status of funds as at 31 December 1984  
 (expressed in US dollars)

<u>Operating Fund</u>	\$	\$
Balance at 1 January 1984		(240 281.14)
Add: Cash drawings from UNDP	956 670.92	
IOVs and other charges (net)	780 149.30	
Miscellaneous income and exchange adjustments (net)	17 431.48	
Miscellaneous items refunded to UNDP (net)	<u>115.24</u>	1 754 366.94
<u>Less: Expenditure during 1984</u> for projects		
Disbursements (Schedule 1)	1 294 390.35	
Unliquidated obligations (Schedule 1)	31 333.--	
for programme support costs (Schedule 1)	<u>291 659.12</u>	<u>(1 617 382.47)</u>
Balance at 31 December 1984		(103 296.67) *****
Represented by:		
Cash at banks, on hand and in transit	(645.94)	
Accounts receivable (Schedule 8)	<u>210 843.82</u>	210 197.88
<u>Less: Accounts payable (Schedule 8)</u> 1984 Unliquidated obligations	282 161.55 <u>31 333.--</u>	<u>(313 494.55)</u>  (103 296.67) *****

CERTIFIED CORRECT  
  
 Gilles Frammery  
 Senior Finance Officer

APPROVED  
  
 M. Layesse  
 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 1984

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 1984
- (ii) Schedule 1 - Expenditures by source of funds for the year ended 31 December 1984
- (iii) Schedule 2 - Expenditures by country for the year ended 31 December 1984

United Nations Financing System for Science and Technology for Development

- (iv) Statement 1 - Status of funds as at 31 December 1984 - Operating Fund
- (v) Statement 2 - Status of funds as at 31 December 1984 - Unspent Allocations
- (vi) Schedule 1 - Project expenditure for the year ended 31 December 1984
- (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 1984 to the extent I have deemed necessary and in conformity with 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 1984 reflects a year end negative balance of \$339,271. As indicated in the previous reports, a negative balance on this Statement represents unliquidated obligations which are expected to be covered by subsequent cash drawings from UNDP. The unliquidated obligations in respect of the Statement for 1983 amounted to \$2,456,804 and when compared to the above balance on 31 December 1984 would indicate considerable improvement on liquidation of obligations by the Agency in its role as executing agency.

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

(Signed) D.G. Njoroge  
External Auditor

Vienna, 19 March 1985

## STATEMENT I

UNITEL NATIONS DEVELOPMENT PROGRAMME

INTERNATIONAL ATOMIC ENERGY AGENCY

Status of funds as at 31 December 1984

(US dollars)

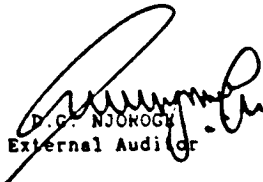
## OPERATING FUND

Balance as at 1 January 1984		(2 456 804)
Cash drawings from UNDP	2 580 000	
Inter-office vouchers and other charges (net)	2 295 509	
Miscellaneous income and exchange adjustments (net)	(14 516)	4 860 993
		<u>2 404 189</u>
Expenditure during 1984		
For projects		
Disbursements (Schedule 1)	1 479 884	
Unliquidated obligations (Schedule 1)	768 854	
For programme support costs (Schedule 1)	494 722	2 743 460
		<u>(339 271)</u>
Balance at 31 December 1984		<u><u>(339 271)</u></u>
REPRESENTED BY:		
Cash at banks, on hand and in transit		553 994
Accounts receivable		149 475
		<u>703 469</u>
Accounts payable	273 886	
1984 unliquidated obligations	768 854	1 042 740
		<u>(339 271)</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.

  
 D. C. NJOKOG  
 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 1984

Opinion

1. We have carefully examined the financial statement and tables submitted to us by the World Tourism Organization (WTO) in its capacity as an executing agency, for the funds allocated to it by the United Nations Development Programme (UNDP), as they appear in the financial document CE/25/4(c), pages 57 to 60, which includes the accounts for the financial year ending on 31 December 1984.

2. We have examined the accounting procedures and carefully reviewed such texts of the accounting records and other supporting evidence as we considered necessary in the circumstances. As a result of our examination, we are of the opinion that, from the viewpoint of accounting, the financial statements properly reflect the financial transactions for the financial year 1984, and that, in accordance with the applicable regulations, they present fairly the financial position as of 31 December 1984, subject to the following observations.

Observations

3. Our comments, just as last year's, are limited to accounting aspects (rigorous application of accounting standards, adequate nature of the supporting evidence). We have not had the opportunity of verifying whether the allocations furnished by UNDP were put to good use for the purposes for which they were intended.

4. We wish to express our gratitude to the Secretary-General of the World Tourism Organization and his staff for their diligent and cordial co-operation during the course of our assignment. We have been supplied with all the information we deemed necessary, which has been of great help in examining the Organization's books and accounting documents.

Madrid, 15 March 1985

(Signed) J. P. Cortes Camacho

(Signed) N. Moise

/...



## STATEMENT I

DP/1986/64/Add.1  
English  
Page 49UNITED NATIONS DEVELOPMENT PROGRAMME  
World Tourism OrganizationStatus of funds as at 31 December 1984  
(US dollars)Operating Fund

Balance at 1 January 1984		(125 694.60)
Add: Cash drawings from UNDP	610 000.00	
IOVs and other charges (net)	109 245.80	
Miscellaneous income and exchange adjustments (net)	3 935.75	
Miscellaneous items refunded to UNDP (net)	5 517.09	728 698.64
		<u>603 004.04</u>
Less: Expenditure during 1984		
For projects		
Disbursements (Schedule 1)	543 009.69	
For agency support costs (Schedule 1)	69 639.45	612 649.14
		<u>(9 645.10)</u>
Balance at 31 December 1984		(9 645.10)

## Represented by:

Cash at banks	52 634.46
Accounts receivable	8 169.92
	<u>60 804.38</u>
Less: Accounts payable	70 449.48
	<u>(9 645.10)</u>



CERTIFIED CORRECT

*Eduardo Ramos-Reimundín*  
Eduardo Ramos-Reimundín  
Chief of Finance

APPROVED

*Robert C. Lonati*  
Robert C. Lonati  
Secretary-General

## AUDIT CERTIFICATE

J.P. Cortés Camacho

Nistor Moise

*J.P. Cortés Camacho*

*Nistor Moise*

/...

الصندوق العربي للإسـماء الإقتصادي والإجتماعي  
تلفون : ٢٤٥١٥٨٠ - ص. ب. ٢١٩٢٣ كويت - برقية : انمربي - تلخس : انمرب 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 intercountry invest-  
ment projects and related feasibility  
studies

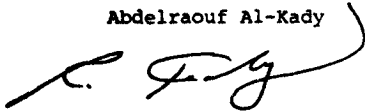
Statement of expenditures

1/1/1984 - 31/12/1984

UNDP share

<u>No.</u>	<u>Component</u>	<u>M/M</u>	<u>US\$</u>
11-01	Team Leader	-	-
11-02	Project Economist	-	-
11-03	Financial Analyst	-	-
11-04	Project Engineer	-	-
16	Other Costs	-	-
29	Sub-Contracts	-	61 694.91
49	Equipment	-	-
59	Miscellaneous	-	-
99	Total		61 694.91
	Admin. Expenses 13%		8 020.34
			69 715.25
			=====

Abdelraouf Al-Kady

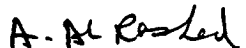


Acting Director of Finance  
Arab Fund for Economic and Social  
Development

A.AL-RASHED. C.P.A.

We have examined the financial statements of the Arab Fund for Economic and Social Development for the year ended 31/12/1984. Our examination was conducted for the purpose of expressing an opinion on the financial statements taken as a whole. During our examination nothing came to our attention to indicate that the amounts reflected in the fund's accounts related to the above statement of expenditures for the year ended 31/12/1984 are not fairly presented.

A.AL-RASHED. C.P.A.S.



License No. 50

## الصندوق العربي للإسـماء الإقتصادي والإجتماعي

تلفون : ٢٤٥١٥٨٠ - ص . ب ٢١٩٢٣ كويت - برقيـا : انـمـعـرـبـي - تلـكـس : انـمـعـرـب 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 intercountry investment pro-  
jects and related feasibility studies

Statement of expenditures by projects

1/1/1984 - 31/12/1984

UNDP share

<u>Project</u>	<u>K.D.</u>	<u>US\$</u>
{Unified Geologic and Water Resources Mapping of the two Yemens	682.405	2 248.45
Integrated Development of Hamad Basin	3 760.178	12 389.38
Regional Training Programme at Wad El Magboul Institute.	4 637.000	15 278.42
The Establishment of an Arab Joint Project for the Manufacture of Fishing Gear	376.400	1 240.20
Regional Arab System for Labour Market Information	300.072	988.71
Al Hilla Regional Project	7 468.350	24 607.41
Production of Teaching Aids (Pan-Arab Educational Films).	1 500.000	4 942.34
	<u>T O T A L</u>	<u>61 694.91</u>
	=====	
Administration expenses 13 per cent		8 020.34
	<u>GRAND TOTAL</u>	<u>69 715.25</u>
		=====

/...

# 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  
1984

Schedule 1 - Expenditures by Source of Funds for the  
year ended 31 December 1984

Schedule 2 - Expenditures by Country for the year ended  
31 December 1984

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 1984 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*

1 March 1985

/...

SUPPLEMENTARY INFORMATION PROVIDED BY  
DELOITTE HASKINS AND SELLS, 31 MAY 1985, ON THE AUDIT OF  
THE ACCOUNTS OF THE ASIAN DEVELOPMENT BANK

SECTION I. SUMMARY OF OBSERVATIONS AND CONCLUSIONS

The following is a summary of our observations and conclusions resulting from the work performed as set forth in Sections II, III, and IV.

- . UNDP-financed projects assigned to the Asian Development Bank as Executing Agency are being administered by the Bank on a regular and timely basis.
- . The Bank appears to be taking appropriate follow-up actions, to the extent practicable, on problems identified in consultants' progress reports.
- . The Bank is complying with its established procurement procedures pertaining to the engagement of consultants.
- . The work of the Bank's Internal Audit Office encompasses surveys and audits of areas that impact both directly and indirectly on UNDP-financed projects and many of their recommendations have been implemented.
- . No material weaknesses were identified in the system of internal accounting control.

SECTION II. PRINCIPAL AUDIT PROCEDURES

Our examination of the financial statements referred to previously 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. Our study and evaluation of internal accounting control is separately described in Section IV. Other principal audit procedures which we believe would be of interest to the Governing Council of the UNDP are briefly described as follows:

Cash at Banks - Obtained confirmations of all bank balances as of 31 December 1984 and tested related bank reconciliations.

Accounts Receivable - Requested positive confirmation of recorded amounts for a statistical selection of accounts. All confirmation requests were received without exception.

Accounts Payable and Unliquidated Obligations - Requested independent confirmations from vendors selected from cash-disbursements records. Differences disclosed in confirmation replies were satisfactorily resolved and appropriate supporting documentation was examined for the one account for which no confirmation reply was received.

Reviewed subsequent disbursement records for possible unrecorded liabilities at 31 December 1984, noting no exceptions.

Cash Drawings, IOVs and Other Charges - Obtained positive confirmation of 1984 amounts directly from UNDP.

Project Expenditures - Statistically selected individual disbursements and examined supporting documents for propriety of project distribution and for approval and other independent indications of validity.

Programme Support Costs - Recomputed total costs for 1984 which were based on 13% of project expenditures in accordance with correspondence between the Bank and UNDP.

### SECTION III. ADDITIONAL PROCEDURES

In connection with our examination of the UNDP financial statements, we performed the following additional procedures as requested by you.

Contracts with Consultants - Three consultants contracts were awarded in connection with the three UNDP-financed projects that were approved during 1984. For each of these contracts we ascertained, by reference to supporting contract documentation, that the Bank had complied with its procurement procedures pertaining to the engagement of technical assistance consulting firms/consultants as provided for in its published guidelines approved by the Board of Directors.

Review of Selected Projects - We selected three of the thirty-four UNDP-financed projects being administered by the Bank as of 31 December 1984 and performed the following procedures for each of the selected projects:

- . Compared project expenditures accumulated through 31 December 1984, in total and (where applicable) by category, to the related budget.
- . Reviewed the project's progress to date in relation to the anticipated progress outlined in the underlying project documents.
- . Read progress reports issued during the year by the consultant in charge.

. Audit of Loan and Technical Assistance Disbursements and Collections (issued in 1983)

The objectives of this audit were (a) to evaluate the adequacy and effectiveness of internal control including processing efficiency over disbursements and collections relating to loan and technical assistance operations and (b) to ascertain whether related Bank practices were in compliance with relevant policies and procedures.

. Survey on the Use of Consultants Engaged by the Bank for Technical Assistance Projects (issued in 1984)

This report is primarily concerned with how Bank staff supervise the work and evaluate the performance of those Consultants who were engaged by the Bank for such Projects.

The overall conclusions in the above reports indicate that internal accounting controls in the various areas reviewed were, on the whole, adequate and that relevant policies and procedures established by the Bank were being properly followed.

Specific recommendations in the IAO reports were principally directed towards possible improvements in efficiency and effectiveness. Our review of follow-up reports prepared by IAO indicated that most of their recommendations had been implemented by the applicable Departments/Offices.

#### SECTION IV. INTERNAL ACCOUNTING CONTROL

As part of our examination, we made a study and evaluation of the Bank's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Bank is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not



absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities nevertheless may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

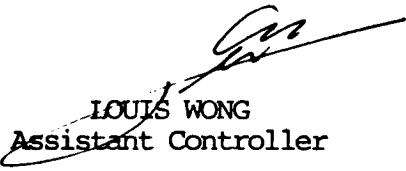
A material weakness (for the auditor's purpose) is a condition in which the specific control procedures, or the degree of compliance with them, do not (in the auditor's judgment) reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. These criteria may be broader than those that may be appropriate for evaluating weaknesses in accounting control for management or other purposes.

Our study and evaluation made for the limited purpose described in the first paragraph of this section would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the Bank's system of internal accounting control taken as a whole. However, our study and evaluation disclosed no condition that we believed to be a material weakness.

STATEMENT I  
 United Nations Development Programme  
 Asian Development Bank  
 (Executing Agency)  
Status of Funds as at 31 December 1984  
 (Expressed in US dollars)

<u>Operating Fund</u>	\$	\$
Balance at 1 January 1984		( 87 375.23
Add: Cash drawings from UNDP	5 296 919.73	
IOVs and other charges (net)	110 400.06	
Miscellaneous income and exchange adjustments (net)	7 262.79	
Miscellaneous items refunded to UNDP (net)	( 28 108.54)	<u>5 386 474.04</u>
		5 299 098.81
Less: Expenditures during 1984 - Schedule 1		
For projects:		
Disbursements	3 532 370.30	
Unliquidated obligations	1 143 970.40	
For programme support costs	<u>607 924.29</u>	<u>(5 284 264.99)</u>
Balance at 31 December 1984		<u><u>14 833.82</u></u>
Represented by:		
Cash at banks, on hand and in transit		535 118.58
Accounts receivable		<u>760 395.90</u>
		1 295 514.48
Less: Accounts payable	136 710.26	
1984 Unliquidated obligations	<u>1 143 970.40</u>	<u>(1 280 680.66)</u>
		<u><u>14 833.82</u></u>

CERTIFIED CORRECT:

  
 LOUIS WONG  
 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 1984

(United States dollars)

<u>1983</u>		<u>1984</u>
(11 688 524)	Balance at beginning of year	(9 610 360)
50 181 053	Add: Cash drawings, interoffice vouchers and other charges (net)	44 608 657
(55 157)	Miscellaneous income and exchange adjustments (net)	(40 880)
(24 053)	Miscellaneous items refunded to UNDP (net)	<u>47 064</u>
38 413 319		<u>35 004 481</u>
	Less: Expenditure during 1984	
	For projects executed by UNDP:	
37 833 501	Executed by the Office for Projects Execution	35 651 257
-	Other amounts charged to IPFs (note 10)	<u>68 954</u>
37 833 501		35 720 211 <u>a/</u>
	For projects executed by the United Nations Volunteers programme	<u>3 623 123 a/</u>
4 796 367		39 343 334
42 629 868		<u>                    </u>
	For support costs:	
5 247 129	Administrative costs of the Office for Projects Execution and IAPSU (schedule 7)	4 817 275
146 682	Support costs paid by the Office for Projects Execution to associated agencies (net) (note 9)	<u>209 380</u>
5 393 811		<u>5 026 655 a/</u>
48 023 679		44 369 989
		<u>                    </u>
(9 610 360)	Balance at end of year	<u>(9 365 508)</u>
	Represented by:	
	Unliquidated obligations	
(9 588 810)	Office for Projects Execution	(9 344 358)
(21 550)	United Nations Volunteers programme	<u>(21 150)</u>
(9 610 360)		(9 365 508) (note 3)
		<u>                    </u>

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

The accompanying notes are an integral part of the financial statements.

