



**Governing Council
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

/...

Contents

Pages

Summary of the status of funds of the executing agencies.....	3
<u>Audited accounts of the Participating and Executing Agencies and reports of External Auditors</u>	
United Nations, including Economic Commission for Africa, Economic and Social Commission for Asia and the Pacific, Economic Commission for Europe, Economic Commission for Latin America and the Caribbean, Economic and Social Commission for Western Asia, United Nations Industrial Development Organization, United Nations Conference on Trade and Development and United Nations Centre for Human Settlements.....	5
International Labour Organization (ILO).....	6
Food and Agriculture Organization of the United Nations (FAO).....	10
United Nations Educational, Scientific and Cultural Organization (UNESCO).....	15
International Civil Aviation Organization (ICAO).....	24
World Health Organization (WHO).....	27
World Bank (IBRD).....	31
Universal Postal Union (UPU).....	41
International Telecommunication Union (ITU).....	45
World Meteorological Organization (WMO).....	53
International Maritime Organization (IMO).....	57
World Intellectual Property Organization (WIPO).....	60
International Atomic Energy Agency (IAEA).....	65
World Tourism Organization (WTO).....	68
Arab Fund for Economic and Social Development (AFESD).....	71
Asian Development Bank (AsDB).....	73
United Nations Development Programme (UNDP) as an executing agency for its projects.....	80

UNITED NATIONS DEVELOPMENT PROGRAMME
Summary of the Status of Funds Submitted by the Executing Agencies
as at 31 December 1985 (expressed in US dollars)

	United Nations	ECA	ECF	ECLAC	ESCAP	ESOA	UNIDO	UNCTAD	UNCS	ILO	FAO	UNESCO	ICAO	WHO	WORLD BANK
Operating Fund															
Balance at 1 January 1985	(30 778 707)	(2 505 960)	(40 861)	822 779	(633 966)	(312 112)	(21 727 856)	(1 916 706)	(4 062 058)	(968 236)	(10 505 365)	(5 467 572)	(5 913 167)	3 479 861	(5 592 197)
Add: Cash drawings from UNDP	66 146 525	1 304 000	258 707	965 000	3 700 477	504 686	48 815 232	5 125 620	6 630 195	24 890 543	69 772 458	20 007 000	26 291 000	3 500 610	30 799 442
EDV and other charges (net)	29 626 895	2 393 702	112 994	473 218	2 350 726	178 110	21 257 979	1 372 011	5 961 361	16 839 766	61 962 390	18 305 916	8 480 436	6 705 626	3 496 753
Miscellaneous income and exchange adjustments (net)	625 085	-	(46)	-	140 222	6 661	(120 590)	65 765	125 786	207 217	124 282	336 116	281 439	34 493	9 635
Miscellaneous items refunded to (by) UNDP (net)	88 982	240 119	1 797	2 164	7	-	(53 666)	68 711	-	(217 951)	367 787	582 159	3 592	69 031	-
	65 708 780	1 431 881	332 913	1 263 161	5 557 488	377 325	48 171 099	4 715 381	8 675 286	40 771 361	121 761 552	33 783 619	29 143 300	13 789 601	28 713 633
Deduct: Expenditure during 1985															
For projects	87 891 167	3 550 184	291 709	1 226 874	5 601 255	421 892	61 602 377	5 268 869	11 027 484	38 255 424	113 100 525	33 583 655	31 505 821	11 976 467	33 363 317
For programme support costs	12 032 065	497 026	40 587	171 762	736 133	54 846	8 551 552	727 179	1 422 606	5 369 918	15 402 568	4 619 172	4 336 707	1 667 041	3 197 982
	99 923 232	4 047 210	332 296	1 398 636	6 337 388	476 738	70 153 929	5 990 028	12 450 090	43 625 342	128 503 073	38 203 027	35 844 528	13 643 508	36 561 299
Balance as at 31 December 1985 ^{a/}	(34 214 452)	(2 615 329)	617	(135 475)	(779 900)	(99 413)	(21 982 830)	(1 274 647)	(3 774 806)	(2 834 001)	(6 761 521)	(4 419 408)	(6 701 226)	146 093	(7 867 666)
Represented by:															
Cash at bank, on hand and in transit	3 276 233	-	-	-	1 226 462	135 671	1 820 164	1 062 050	387 357	11 413 516	9 217 570	2 461 989	2 228 637	-	4 471 015
Accounts receivable	4 141 090	445 340	94 187	279 499	250 846	104 832	19 918 068	714 520	161 821	5 877 968	6 661 227	7 240 209	2 783 323	146 093	3 646 542
	7 417 323	445 340	94 187	279 499	1 477 308	240 503	21 738 232	1 776 570	549 178	17 291 484	15 878 797	9 702 198	5 011 960	146 093	8 117 557
Deduct: Accounts payable 1985 Unliquidated Obligations	7 229 814	1 865 144	72 957	-	636 390	324 116	22 602 334	1 629 370	1 472 944	15 315 411	5 881 972	3 208 266	2 141 750	-	8 497 587
	34 401 961	1 195 525	20 613	414 974	1 620 818	15 800	21 118 728	1 401 847	2 851 060	4 810 074	16 756 346	10 913 340	9 571 438	-	7 467 626
	41 631 775	3 060 669	93 570	414 974	2 257 208	339 916	43 721 062	3 031 217	4 323 904	20 125 485	22 640 318	14 121 606	11 713 186	-	15 965 223
Balance as above ^{a/}	(34 214 452)	(2 615 329)	617	(135 475)	(779 900)	(99 413)	(21 982 830)	(1 274 647)	(3 774 806)	(2 834 001)	(6 761 521)	(4 419 408)	(6 701 226)	146 093	(7 867 666)

^{a/} Explanatory Note:

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

UNITED NATIONS DEVELOPMENT PROGRAMME
 Summary of the Status of Funds Submitted by the Executing Agencies (Cont'd)
 as at 31 December 1985 (expressed in US dollars)

	UNU	TIU	WMO	IMO	WIPO	IAEA	ITC	WIO	AFESD	AsDB	ILB	GOVERN- MENTS	SUBTOTAL	UNDP	TOTAL
Operating Fund															
Balance at 1 January 1985	(489 379)	(2 314 434)	(666 106)	(1 259 409)	(103 297)	(339 271)	(413 760)	(9 645)	(50 991)	14 834	20 009	4 228 217	(88 045 011)	(9 365 508)	(97 410 519)
Add: Cash drawings from UNDP	792 334	15 285 000	9 555 668	4 491 493	1 221 420	484 164	2 777 147	950 000	69 715	4 148 089	-	4 490 772	352 577 297	-	352 577 297
IOV and other charges (net)	957 927	7 326 780	5 929 167	1 692 863	1 055 553	1 941 701	2 986 636	356 642	331	197 433	85	23 869 307	225 832 308	49 533 034	275 365 342
Miscellaneous income and exchange adjustments (net)	31 827	127 087	92 606	115 097	2 036	(24 828)	35 189	4 095	-	9 847	-	(10 231)	2 218 752	(31 213)	2 187 539
Miscellaneous items refunded to (by) UNDP (net)	(888)	315	(7 109)	(2 315)	-	-	7 219	22	-	35 839	-	-	1 205 815	5 577	1 211 392
	1 291 821	20 424 748	14 904 226	5 037 729	2 175 712	2 061 766	5 392 431	1 301 114	19 055	4 406 042	20 094	32 578 065	493 789 161	40 141 890	533 931 051
Deduct: Expenditure during 1985															
For projects	1 611 632	21 965 323	13 491 804	3 498 697	1 850 513	1 736 199	6 036 884	1 238 799	81 409	4 549 486	-	24 378 868	519 100 614	47 612 708	566 713 522
For programme support costs	354 559	2 920 594	2 032 000	911 473	407 113	381 964	767 689	157 542	10 583	591 433	-	-	67 344 074	4 826 256	72 170 330
	1 966 191	24 885 917	15 523 804	4 410 170	2 257 626	2 118 163	6 804 573	1 396 341	91 992	5 140 919	-	24 378 868	586 444 688	52 438 964	638 883 852
Balance as at 31 December 1985 ^{a/}	(674 370)	(4 461 169)	(619 578)	627 559	(81 914)	(56 397)	(1 412 142)	(95 227)	(72 937)	(734 877)	20 094	8 199 197	(92 655 727)	(12 297 074)	(104 952 801)
Represented by:															
Cash at bank, on hand and in transit	111 172	473 195	1 067 798	886 826	1 930	648 751	92 987	45 117	-	524 968	20 009	-	41 553 417	-	41 553 417
Accounts receivable	153 306	537 606	1 084 135	353 804	146 211	138 123	511 335	28 296	-	589 265	85	8 199 197	64 206 928	-	64 206 928
	264 478	1 010 801	2 151 933	1 240 630	148 141	786 874	604 322	73 413	-	1 114 233	20 094	8 199 197	105 760 345	-	105 760 345
Deduct: Accounts payable	415 689	1 742 757	682 307	369 751	156 094	266 446	815 644	104 393	72 937	193 887	-	-	75 697 970	-	75 697 970
1985 Unliquidated Obligations	523 159	3 729 213	2 089 204	243 320	73 961	576 825	1 200 820	64 247	-	1 655 223	-	-	122 718 102	12 297 074	135 015 176
	938 848	5 471 970	2 771 511	613 071	230 055	843 271	2 016 464	168 640	72 937	1 849 110	-	-	198 416 072	12 297 074	210 713 146
Balance as above ^{a/}	(674 370)	(4 461 169)	(619 578)	627 559	(81 914)	(56 397)	(1 412 142)	(95 227)	(72 937)	(734 877)	20 094	8 199 197	(92 655 727)	(12 297 074)	(104 952 801)

^{a/} Explanatory Note:

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

TECHNICAL CO-OPERATION ACTIVITIES EXECUTED BY THE UNITED NATIONS, UNITED NATIONS REGIONAL COMMISSIONS,
 UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION, UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
 AND UNITED NATIONS CENTRE FOR HUMAN SETTLEMENT
 COMBINED STATUS OF FUNDS FOR THE YEAR ENDED 31 DECEMBER 1985

(EXPRESSED IN UNITED STATES DOLLARS)

	Regional Commissions						UNIDO	UNCTAD	UNCHS	Total
	United Nations	Africa	Asia and the Pacific	Europe	Latin America and the Caribbean	Western Asia				
I. Statement of income and expenditure										
<u>for the twelve-month period</u>										
<u>of the biennium 1984-1985</u>										
<u>ended 31 December 1985 a/</u>										
<u>Income</u>	99 923 232	4 047 210	6 337 388	332 296	1 398 637	476 738	70 153 929	5 990 028	12 450 090	201 109 548
<u>Expenditure</u>	99 923 232	4 047 210	6 337 388	332 296	1 398 637	476 738	70 153 929	5 990 028	12 450 090	201 109 548
<u>Excess of income over expenditure for the above period</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
II. Statement of assets, liabilities and unencumbered fund balance										
<u>Assets</u>										
Cash	3 276 233	-	1 226 462	1 349	-	135 671	1 820 164	1 042 050	387 358	7 889 287
Accounts receivable	993 011	445 639	183 275	-	279 499	104 832	2 591 151	635 542	141 770	5 374 719
Due from UNDP, UNFPA and UNEP for excess of expenditure over funds provided	34 214 452	2 615 329	779 901	-	135 476	99 413	21 982 830	1 274 647	3 774 605	64 876 853
Deferred charges and other assets	18 361 185	-	137 247	18 143	-	-	16 431 570	55 607	20 051	35 023 803
Unspent allocations	166 184 001	6 130 371	8 391 368	353 349	1 788 053	100 967	114 768 975	9 160 029	13 365 430	320 242 543
Interfund balances receivable	2 031 755	-	67 571	7 304	-	-	-	-	-	2 106 630
Due from United Nations General Fund	-	-	-	67 391	-	-	895 347	23 371	-	966 109
<u>Total assets</u>	<u>225 060 637</u>	<u>9 191 339</u>	<u>10 785 824</u>	<u>447 536</u>	<u>2 203 028</u>	<u>440 883</u>	<u>158 490 037</u>	<u>12 191 246</u>	<u>17 689 414</u>	<u>436 499 944</u>
<u>Liabilities and unencumbered fund balance</u>										
Accounts payable	1 180 036	231 038	432 362	1 959	104 931	134 160	9 017 587	1 483 222	350 904	12 936 199
Unliquidated obligations	34 401 961	2 134 739	1 620 818	20 613	114 460	15 800	21 118 728	1 401 847	2 851 040	63 680 006
Unliquidated obligations for future years	17 244 861	-	137 247	-	-	-	13 584 747	-	-	30 966 855
Interfund balances payable	-	-	169 242	-	-	-	-	45 201	-	214 443
Due to United Nations General Fund	6 049 778	695 191	34 787	-	195 584	169 956	-	-	141 361	7 306 657
Due to special accounts for programme support costs	-	-	-	70 998	-	-	-	100 947	980 679	1 152 624
Operating fund	-	-	-	617	-	-	-	-	-	617
Deferred income	166 184 001	6 130 371	8 391 368	353 349	1 788 053	100 967	114 768 975	9 160 029	13 365 430	320 242 543
<u>Total liabilities and unencumbered fund balance</u>	<u>225 060 637</u>	<u>9 191 339</u>	<u>10 785 824</u>	<u>447 536</u>	<u>2 203 028</u>	<u>440 883</u>	<u>158 490 037</u>	<u>12 191 246</u>	<u>17 689 414</u>	<u>436 499 944</u>

a/ This statement comprises information extracted from Schedules 14.4 to 14.12 of Supplement No. 5 (A/41/5) of the United Nations Financial Report and Audited Financial Statements for the biennium ended 31 December 1985 and Report of the Board of Auditors, Volume I.

**REPORT OF THE EXTERNAL AUDITOR ON THE STATEMENT
SHOWING AT 31 DECEMBER 1985 THE STATUS OF FUNDS
ADVANCED TO THE INTERNATIONAL LABOUR ORGANIZATION BY
THE UNITED NATIONS DEVELOPMENT PROGRAMME**

GENERAL

1. The statement and supporting schedules relating to the participation of the International Labour Organization (ILO) in the United Nations Development Programme (UNDP) are generally in the form prescribed by UNDP. My audit of them has been carried out in conjunction with my audit of the regular budget and subsidiary funds of the ILO.

PROJECT EVALUATION

2. My report for the 1982-83 biennium referred to developments in the ILO's procedures for project evaluation and their application to certain UNDP-funded projects.

3. As part of their review of the development and implementation of ILO's evaluation procedures my staff carried out in 1985 a test examination of the application of the procedures by ILO's Headquarters technical units and the Evaluation Unit. This examination included a review of papers relating to two projects financed by the UNDP, and the results were generally satisfactory.

4. Following discussions between the various agencies involved, including the ILO, UNDP introduced draft revised procedures under which they themselves monitor, evaluate and report on UNDP projects with budgets in excess of \$400,000. These procedures are to operate on a trial basis from May 1985 to May 1986. Accordingly ILO has suspended its own procedures for evaluating UNDP projects. Copies of UNDP evaluation reports are, however, to be provided to ILO's Headquarters technical units and to the Evaluation Unit.

5. My staff will review the operation and results of these revised procedures during the 1986-87 biennium supplemented by a selective review of their application to projects in the field.

ACKNOWLEDGEMENT

6. I wish to record my appreciation for the co-operation and assistance extended by the

Director-General and the staff of the Office during my
audit.

Gordon Downey

GORDON DOWNEY
(COMPTROLLER AND AUDITOR GENERAL, UNITED KINGDOM)
EXTERNAL AUDITOR

21 April 1986

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STATEMENT 1 (page 1 of 2)

UNITED NATIONS DEVELOPMENT PROGRAMME

INTERNATIONAL LABOUR ORGANISATION

Status of funds as at 31 December 1985
 (Expressed in US dollars)

Operating Fund for the biennium 1984-85

Balance at 1 January 1984			(4 523 272)
<u>Add:</u> Cash drawings from UNDP		58 055 543	
1984	33 165 000		
1985	<u>24 890 543</u>		
IOVs and other charges (net)...		29 879 030	
1984	13 039 264		
1985	<u>16 839 766</u>		
Miscellaneous income and exchange adjustments (net)		269 349	
1984	62 132		
1985	<u>207 217</u>		<u>88 203 922</u>
			83 680 650
<u>Less:</u> Expenditure for projects		86 163 079	
Disbursements	65 409 222		
1984	31 834 872		
1985	<u>33 574 350</u>		
Unliquidated obligations	10 180 320		
1984	5 499 246		
1985	<u>4 681 074</u>		
For programme support costs	10 573 537		
1984	5 223 619		
1985	<u>5 349 918</u>		
Miscellaneous items charged to UNDP (net)		351 572	
1984	133 621		
1985	<u>217 951</u>		<u>86 514 651</u>
Balance as at 31 December 1985			(2 834 001) *****

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STATEMENT 1 (page 2 of 2)UNITED NATIONS DEVELOPMENT PROGRAMMEINTERNATIONAL LABOUR ORGANISATIONStatus of funds as at 31 December 1985

(Expressed in US dollars)

The balance at 31 December 1985 was represented by:

Cash at banks and on hand		36 271 094	
Accounts receivable		<u>5 877 968</u>	
		42 149 062	
Less amounts held in respect of other technical co-operation activities included in the above		<u>24 857 578</u>	17 291 484
<u>Less: Accounts payable</u>		40 172 989	
1985 unliquidated obligations			
For projects	4 681 074		
For staff costs	<u>129 000</u>	<u>4 810 074</u>	
		44 983 063	
<u>Less: Amounts held in respect of other technical co-operation activities</u>		<u>24 857 578</u>	<u>20 125 485</u>
			(2 834 001)
			=====

CERTIFIED CORRECT:



J.D. Hunt
Chief
Budget and Finance Branch

APPROVED:

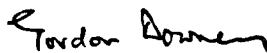
For the Director-General
International Labour Office



F. von Mutius
Treasurer and Financial Comptroller

OPINION OF THE EXTERNAL AUDITOR

I have examined the above Status of Funds Statement I and supporting Schedules 1 and 2 of the International Labour Organisation as Executing Agency of the United Nations Development Programme for the biennium ended 31 December 1985. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances. As a result of the examination I am of the opinion that the Statement and Schedules present fairly the financial position as at the end of the period and the results of the operations for the period then ended; that they were prepared in accordance with the Organisation's stated accounting principles which were applied on a basis consistent with that of the preceding financial period; and that the transactions were in accordance with the relevant Financial Regulations and legislative authority.



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

UNITED NATIONS DEVELOPMENT PROGRAMME

**REPORT OF THE EXTERNAL AUDITOR ON THE STATEMENT
SHOWING AS AT 31 DECEMBER 1985 THE STATUS OF FUNDS
ADVANCED TO THE FOOD AND AGRICULTURE ORGANIZATION
BY THE UNITED NATIONS DEVELOPMENT PROGRAMME**

GENERAL

1. The Statement and supporting Schedules relating to the participation of the Food and Agriculture Organization (FAO) in the United Nations Development Programme for the financial period ended 31 December 1985 are in the form prescribed by UNDP. My audit of them has been carried out in conjunction with my audit of the regular programme and subsidiary funds of the Organization. The common accounting systems have been examined and tested, based on an agreed audit programme with the Office of Internal Audit, Inspection and Management Control. I have examined and reviewed the internal audit reports and supporting papers relating to UNDP and have taken account of their findings. Their work has materially assisted my examination.

REVIEW OF INVENTORY CONTROLS FOR UNDP EQUIPMENT

2. An inventory of non-expendable UNDP equipment is maintained at FAO Headquarters. At 31 December 1985 the inventory was valued at \$90.8 million. Items are recorded at cost (purchase) price but are not included in the annual financial statements although they are referred to by the Director General in his report on the Accounts. On termination of a UNDP project, title to the equipment purchased by FAO is usually transferred to the Government concerned to provide continued support to the project.

Headquarters System

3. In 1984-85, my staff reviewed the Headquarters inventory control system for UNDP equipment, and examined local records during field visits to nine projects in two countries. This examination disclosed that:

- (i) the relevant sections of the FAO Manual have not been up-dated to take account of computerisation of the records in 1980;
- (ii) formal guidance is not provided on the classification of non-expendable equipment;
- (iii) interrogation facilities are limited and data on quantity, condition and location of equipment cannot readily be obtained by either country or operating division.

4. In reply to my enquiries, the Organization told me that the revision of the Manual will be completed by December 1986, and will include, as necessary,

descriptions of non-expendable equipment. Major re-development work, including a feasibility study for improvement in inventory control, is well advanced and the Organization expect testing and implementation to be completed by September 1987 .

Project Inventories

5. Project leaders are required to keep accurate and up to date records of expendable and non-expendable equipment, to carry out annual physical checks and to report the results to Headquarters for up-dating of records. My staff found that:

- (i) Requests for inventory reports at 31 December 1984 were sent by Headquarters to 654 project leaders in January 1985, but 150 (23 per cent) were still outstanding at mid-November 1985;
- (ii) A sample survey of 35 outstanding project returns showed that 28 projects had been closed for at least a year, but HQ had not been informed about title to or location of equipment;
- (iii) There is no procedure at HQ for following up outstanding inventory returns or identifying closed projects;
- (iv) In six of the nine project sites visited, year-end inventory checks had not been made nor did the inventory records fully meet requirements;
- (v) In two of the projects examined a total of 78 vehicles and 278 motor cycles had been transferred to the Government concerned but had not been deleted from FAO inventories.

6. The Organization agreed that the link between the Headquarters operating and administration divisions and field projects must be close and recognised that an improved system of inventory control and reporting needs to be introduced. A study will be undertaken during 1986 to review responsibilities in order to devise the system needed to record and control changes in the inventory with a follow-up system for accurate reconciliation.

Conclusion

7. My staff's examination confirmed that inventory systems and procedures require revision and tightening and I welcome the steps currently being taken by the Organization to improve controls, to ensure prompt submission of accurate inventory reports from the field and to reconcile these with Headquarters' records. The revision of the FAO Manual and the up-dating of guidance to staff also need to be completed as soon as possible.

LOSSES ETC

8. I have examined with satisfactory results, details of compensation payments, ex-gratia payments, losses and writes off to the value of \$708,036 submitted to me by the Director-General with the Account in accordance with Financial Regulation 10.4. I am satisfied with the information and explanations which I have obtained about these cases and I have no observations to make.

ACKNOWLEDGEMENT

9. I wish to record my appreciation for the co-operation and assistance by the officers of the Organization during my audit.

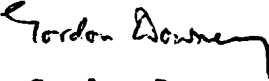
Gordon Downey

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

23 September 1986

OPINION OF THE EXTERNAL AUDITOR

I have examined the attached Status of Funds Statement I and supporting Schedules 1 and 2 of the Food and Agriculture Organization as Executing Agency of the United Nations Development Programme for the financial period ended 31 December 1985. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances. As a result of the examination I am of the opinion that the Statement and Schedules present fairly the financial position as at the end of the period and the results of the transactions for the period then ended; that they were prepared in accordance with the stated accounting policies which were applied on a basis consistent with that of the preceding financial period; and that the transactions were in accordance with the relevant Financial Regulations and legislative authority.


Gordon Downey

(Comptroller and Auditor General, United Kingdom)

External Auditor

23 September 1986

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STATEMENT I

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

Status of Funds as at 31 December 1985
 (Expressed in US dollars)

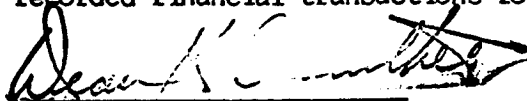
Operating Fund

	\$	\$
Balance at 1 January 1984		(15,721,855)
Add: Cash drawings from UNDP	140,050,329	
IOVs and other charges (net)	122,625,727	
Miscellaneous income and exchange adjustments (net)	(180,826)	
Miscellaneous items refunded to UNDP (net)	<u>590,987</u>	<u>263,086,217</u>
		247,364,362
Less: Expenditure during 1984-1985		
For projects		
Disbursements (Schedule 1)	206,835,478	
Unliquidated obligations (Schedule 1)	16,758,346	
For programme support costs (Schedule 1)	<u>30,532,059</u>	<u>254,125,883</u>
Balance at 31 December 1985		<u>(6,761,521)</u>

Represented by:

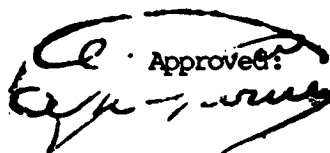
Cash at banks, on hand and in transit		9,217,570
Accounts receivable		<u>6,661,227</u>
		15,878,797
Less: Accounts payable	5,881,972	
1984-1985 Unliquidated obligations	<u>16,758,346</u>	<u>22,640,318</u>
		<u>(6,761,521)</u>

The amounts shown in the statements properly reflect the recorded financial transactions for the period.



Dean K. Crowther
 Assistant Director-General

Administration and Finance Department



Edouard Saouma
 Director-General

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UNITED NATIONS DEVELOPMENT PROGRAMME

REPORT OF THE EXTERNAL AUDITOR ON THE STATEMENT SHOWING AS
AT 31 DECEMBER 1985 THE STATUS OF FUNDS ADVANCED TO THE
UNITED NATIONS EDUCATIONAL, SCIENTIFIC AND CULTURAL
ORGANIZATION BY THE UNITED NATIONS DEVELOPMENT PROGRAMME

GENERAL

1. The statement and supporting schedules relating to the participation of the United Nations Educational, Scientific and Cultural Organization (UNESCO) in the United Nations Development Programme (UNDP) are in the form prescribed by UNDP. My audit of them has been carried out in conjunction with my audit of the regular programme and subsidiary funds of the UNESCO.
2. During 1984 and 1985, as part of their continuing review of UNESCO's operational activities, my staff visited two countries, one in the Asia and Pacific Region and one in the South-East Asia Region, and examined 15 projects being administered by UNESCO on behalf of UNDP.
3. The overall purpose of the visits was to form a view on the efficiency and effectiveness of project implementation. The examinations included a review of the relevant documentation, interviews with the staff concerned and visits to the project sites.
4. Six of the projects examined in the Asia and Pacific Region were amongst the 11 educational projects carried out by UNESCO in accordance with the principles of the UNDP policy paper "New Dimensions of Technical Assistance" approved by the UNDP Governing Council in 1977. The review therefore included an assessment of the effectiveness of the operation of this new policy.

NEW DIMENSIONS POLICY IN THE ASIA AND PACIFIC REGION

Introduction

5. In accordance with the New Dimensions policy the administration and co-ordination of 11 educational projects were made the responsibility of the recipient government who appointed a national director for each project, with

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the aim of reducing costs and retaining acquired expertise after project completion. These arrangements were intended to be more cost-effective than the previous UNESCO practice under which, for a similar large scale programme, a separate UNESCO project director would have been appointed for each project. One of the 11 projects involved establishing a Co-ordinating Unit to provide back-up support for the administration and co-ordination of the remaining 10 projects.

6. The main purpose of the 11 educational projects was to strengthen teacher training institutions, educational research and educational planning and management. It was intended to contribute to the overall national plan of the country to provide by 1987 free and universal education for all children through eight years of schooling.

7. The 11 projects had started between 1978 and 1980 and were to last up to 4 years. The original budgets totalled \$4.92 million and revisions increased this to \$5.85 million. However, a number of the projects experienced delays of up to two years in appointing consultants, providing training and delivering equipment and in May 1983, by which time all the projects should have been completed, the recipient government decided to terminate five of the projects and to transfer \$1.63 million uncommitted funds for use elsewhere in the country programme. In May 1984 the budgets for the 11 projects were further reduced by \$0.13 million to \$4.09 million. The total budget reduction of \$1.76 million on these projects was thus transferred back to the UNDP resources remaining available for the country programme.

8. In view of the delays and decisions to terminate projects my staff reviewed six selected projects to determine whether there were any shortcomings in design, administration and co-ordination and, if so, whether these were due wholly or in part to the way in which the New Dimensions policy had been applied. At the time of the review the six projects examined, which had budgets ranging from \$0.25 million to \$1.1 million, had either been terminated or were approaching completion.

Project Design

9. My staff noted that several of the projects comprised groups of unrelated sub-projects spread over a number of independent institutions across all areas of the country. This suggested that there may have been a dispersal of effort largely to ensure that all provinces of the country received a share of the UNDP funds allocated to these projects. UNESCO confirmed that in the wider interest of contributing to the overall objectives of the country's education

programme, both they and UNDP had acceded to the government's wish, in view of the country's federal structure, to share the UNDP funds among the different provinces.

10. As an aid to the implementation of projects project documents should wherever possible, include clearly defined objectives and performance indicators against which progress and results can be measured. My staff found that the objectives defined in the project documents examined were often vague and unclear, and in consequence results could not be evaluated easily. The project documents had, however, been finalised before late 1980 when UNDP issued revised guidelines concerning the formulation of project objectives, including stricter requirements for the quantification of outputs and relevant performance indicators.

Co-ordination and Administration

11. My staff found that in general UNDP's six-monthly reporting procedures for monitoring progress were satisfactorily followed for the projects over the period 1978 to 1982, because the UNESCO Chief Technical Adviser in the co-ordinating project had assumed responsibility for submitting project progress reports in respect of all the projects. In addition, he had, before leaving the country in December 1982, prepared an end-of-assignment report on progress and results.

12. In the absence of international staff the preparation of reports on the completion of New Dimensions projects became the responsibility of the various national project directors. In practice they submitted no reports and in March 1985 UNESCO sent a mission to the country to produce the reports. At the time of my staff's enquiries in April 1985 these reports were being edited before issue.

13. I asked UNESCO whether they considered the use of centralised administration and co-ordination for the 11 projects to have been a success. They told me that the experiment had not been as successful as expected, partly because the national project directors were part-time appointees with other unrelated responsibilities and partly because the country's procedures required all project proposals to be processed at both provincial and federal level before review and approval by the Government's Economic Affairs Division. In these circumstances efficient project implementation could not be achieved, but UNESCO considered that the concept of centralised administration and co-ordination could work very well in other countries.

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Conclusions

14. The stated aim of the New Dimensions policy is to reduce cost and increase efficiency. My review of these six projects indicates, and UNESCO agree, that while the projects suffered from a number of shortcomings, these were attributable not to the principles of the policy but to the way in which the policy was applied. UNESCO informed me that the benefits and practicability of recipient governments being made responsible for administration and co-ordination of projects had been proven elsewhere. Clearly, however, the application of the policy needs to be carefully monitored to ensure that its benefits are maximised and action is taken to overcome problems as they arise. In particular, I recommend the need for special attention to be paid to the prompt receipt and evaluation of the final reports made by project managers on completion of projects.

15. As to the effectiveness of the projects themselves, because my staff were unable to examine the final reports or UNESCO's evaluation of them, I was unable to form a view on this or the conclusions UNESCO had drawn about the success or otherwise of this application of the New Dimensions policy over the period 1978 to 1982.

UNDP PROJECTS IN THE SOUTH EAST ASIA REGION

General

16. The seven projects examined in the South East Asia Region had started between 1979 and 1981 and were due to last from 18 months to 5 years. My staff found that the projects were generally based on sound project documents which contained clearly defined objectives; that adequate budgetary control procedures were being applied; and that progress reports were generally accurate and submitted to UNESCO on time. Progress was being monitored by regular tripartite reviews and, where necessary, project revisions were made to amend objectives or revise inputs of staff, equipment etc. In several of the projects the national government had used their own procedures to identify suitable international personnel and overseas training courses and this appeared to be of considerable benefit to UNESCO in expediting the often difficult processes of recruitment and fellowship placement. UNESCO confirmed to me that such assistance was very helpful and that other national governments were encouraged to follow the same practice whenever possible.

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Control of Equipment and Personnel

Delivery

17. The success of a project depends to a large extent on the sponsoring bodies fulfilling their obligations under the terms of the project document. My staff therefore examined whether UNESCO and the national government had provided the funds, staff and equipment necessary for the successful implementation of the projects. They found that both UNESCO and national inputs had generally been delivered as agreed and in good time but problems had arisen on one project. The full computerization of the National Information and Documentation Centre, which was established in 1965 and intended to play a significant role in serving priority areas of the National Development Plan, was delayed for some 3 years due to the need to upgrade the computer hardware system in order to adapt it to the Centre's requirements and to problems in recruiting suitably qualified candidates for fellowship training. UNESCO informed me that the Centre was now fulfilling its role, following enhancement of the computer equipment and the training of necessary manpower.

Co-ordination

18. Another key factor in ensuring the successful completion of projects is the degree of control and co-ordination exercised over inputs. My staff's review revealed one instance where the involvement of a number of national departments resulted in a lack of co-ordination. As a consequence there were delays of up to two years in the recruitment of personnel and in the delivery of other government inputs. This in turn led to equipment being under-utilized, poorly maintained and untested. Although UNESCO pointed out that most of the project's immediate objectives had been achieved and some surpassed, they agreed with me that these problems affected project implementation. As a result, the project had failed to achieve its development objectives, including assistance in skill training intended to lead to the employment of 16,500 young people. In addition UNESCO informed me that approval of a follow-up project, intended to build on the achievements of the first, had similarly been delayed due to conflicts between departmental responsibilities at the national level.

Provision of Fellowships

19. The main purpose of UNDP supported training and fellowships is to help national personnel develop and gain skills and knowledge that will best equip them to achieve the objectives of a specific project. Such training is provided in the project host country whenever possible but may be provided

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abroad for selected key individuals. Training abroad is usually provided through fellowships and for the specific purpose identified in the project document, usually to strengthen institutions. Fellowships are intended to up-grade the capability of national project staff to further the project's aims and should normally not exceed one year. Degree-orientated fellowships may be appropriate if the government, UNDP and the executing agency consider it to be essential for the achievement of the project's objectives.

20. My staff found that in two of the projects - involving teacher training faculties and educational research - many long term degree-orientated fellowships had been completed abroad, some lasting three or four years. For one project UNESCO explained that degree-orientated fellowships were provided so that temporary university faculty staff would obtain post graduate qualifications required as a minimum university teaching requirement. The second project provided 27 degree fellowships abroad, of an average duration of 27 months including one of four and a half years. UNESCO told me that these were justified in view of the need for a trained permanent core group of resource personnel to take a leading role in educational and cultural policy and enhance the quality of education. In general UNESCO informed me that these long term overseas fellowships were considered essential for the achievement of the projects' objectives and had been implemented with the approval of UNDP. They argued that this enabled project staff to be retained in the face of competition from other parts of the national economy. However it seems to me that as the individuals concerned are not required to accept a commitment to remain with the projects there is some likelihood that the risk of losing expensively trained staff will be increased.

Conclusions

21. In general I noted that all the projects examined in the South East Asia Region were well planned and monitored but I considered that there were shortcomings in, and lessons to be learnt from, the timing of equipment delivery and personnel appointment, and in personnel training. Although the national government played a significant role in determining the efficiency and effectiveness of project implementation the involvement of a number of different departments at national level had caused considerable difficulties and delay in relation to project personnel and equipment. Furthermore, a significant number of expensive long-term degree-orientated fellowships were provided largely to satisfy national requirements for university teachers to hold post-graduate qualifications, though with no formal commitment of these personnel to the universities concerned against competition from other sectors of the economy.

/...

22. Accordingly I recommend that the value to projects of long-term degree-orientated fellowships should be closely monitored. On the other hand the use of the national government's own procedures to identify suitable personnel and training courses appeared to me to have considerable merit and I welcome UNESCO's assurance that this practice will be encouraged where feasible.

CONTROL OF FELLOWSHIPS

23. As part of their examination of UNESCO's Regular Programme my staff examined the operation of the fellowships programme, which includes a number of fellowships funded by UNDP. The review indicated that while UNESCO regard such training activities as high priority there were deficiencies in the management data and systems which precluded accurate comparisons between planned and actual costs and results. In addition, there had been delay in implementing recommendations for improved administrative efficiency resulting from a review by UNESCO's Inspectorate General. In reply to my observations the UNESCO Secretariat informed me that although they had been constrained by the situation within UNESCO, they planned a number of improvements in the administration and evaluation of fellowships. I recommend that improved evaluation should take account of my comments at paragraphs 19-22 above.

ACKNOWLEDGEMENT

24. I wish to record my appreciation for the co-operation and assistance extended by the officers of the Organization during my audit.

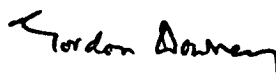
(Signed) GORDON DOWNEY
(Comptroller and Auditor General, United Kingdom)
External Auditor

3 July 1986

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AUDIT OPINION

I have examined the attached Status of Funds Statement I and supporting Schedules 1 and 2 of Unesco as Executing Agency of the United Nations Development Programme for the financial period ended 31 December 1985. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances. As a result of the examination, I am of the opinion that the Statement and Schedules present fairly the financial position as at the end of the period and the results of the transactions for the period then ended; that they were prepared in accordance with the accounting policies described in Notes 1 to 6; and that the transactions were in accordance with the relevant Financial Regulations and legislative authority.



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

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME

(Participating and Executing Agency: UNESCO)

Status of Funds as at 31 December 1985
 (Expressed in US dollars)

<u>OPERATING FUND</u>	US \$	US \$
Balance at 1 January 1984		(7,651,747)
Add: Cash drawings from UNDP	44,574,000	
IOVs and other charges (net)	37,404,882	
Miscellaneous income and exchange adjustments (net)	174,771	
Miscellaneous items refunded to UNDP (net)	833,046	
	-----	82,986,699

		75,334,952
Less: Expenditure during 1984/1985 For Projects		
Disbursements (Schedule 1)	59,170,451	
Unliquidated obligations (Schedule 1)	10,913,340	
For programme support costs (Schedule 1)	9,670,569	
	-----	79,754,360

Balance at 31 December 1985		(4,419,408)


Represented by:		
Cash at banks, on hand and in transit	2,461,989	
Accounts receivable	7,240,209	
	-----	9,702,198

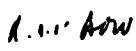
		9,702,198
Less: Accounts payable	3,208,266	
1985 Unliquidated obligations	10,913,340	
	-----	14,121,606

		(4,419,408)

Certified correct

Approved


 D. C. Ariyanayagam
 Comptroller a. i.


 Amadou-Mahtar M' Bow
 Director-General

INTERNATIONAL CIVIL AVIATION ORGANIZATION

UNITED NATIONS DEVELOPMENT PROGRAMME

Notes to the Statement of the Status of Funds

(Statement VII)

31 December 1985

1. Nature of Activities

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

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 sub-contracts: on the basis of the payment schedule included in the contract with the sub-contractor;
- 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 calculated on actual project costs based on a fixed rate determined by UNDP.

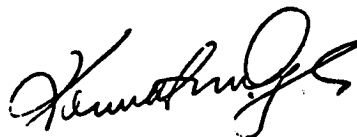
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AUDIT OPINION

**To the Assembly
International Civil Aviation Organization**

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 1985. 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 1985, in conformity with the accounting policies described in Note 2 to the Statement applied on a basis consistent with that of the preceding financial period.



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

**Ottawa, Canada
12 May 1986**

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INTERNATIONAL CIVIL AVIATION ORGANIZATION

UNITED NATIONS DEVELOPMENT PROGRAMME

STATEMENT OF THE STATUS OF FUNDS

AS AT 31 DECEMBER 1985

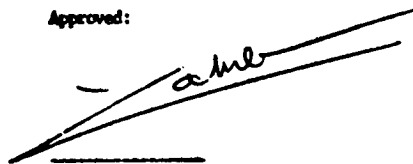
(in United States Dollars)

	<u>1985</u>	<u>1984</u>
<u>OPERATING FUND</u>		
Balance at beginning of year	(5 913 167)	(4 473 264)
Add:		
Cash drawings from UNDP	26 291 000	20 692 000
UNDP inter-office vouchers and other charges	8 480 436	5 140 461
Miscellaneous income and exchange adjustments	281 439	12 246
Miscellaneous items to be refunded to UNDP	<u>3 592</u>	<u>9 661</u>
	<u>35 056 467</u>	<u>25 854 368</u>
	29 143 300	21 381 104
Deduct:		
Expenditures during the year (Schedules E,F,G)		
For projects		
Disbursements	21 934 383	20 217 256
Unliquidated obligations	9 571 438	6 543 440
For programme support costs	<u>4 338 707</u>	<u>3 731 250</u>
Proceeds from extraordinary sale of equipment		<u>(3 197 672)</u>
	<u>(6 701 228)</u>	<u>(5 913 167)</u>
Balance at end of year	<u>(6 701 228)</u>	<u>(5 913 167)</u>
<u>REPRESENTED BY:</u>		
Cash in banks, on hand and in transit	2 228 637	2 862 937
Due from other Funds:		
AOSC Fund		194 385
ICAO General Fund	200 596	78 786
Termination Payment Fund	363 367	
Governments' Trust Fund accounts	674 541	241 063
UN/UNDP Trust Fund accounts	<u>187 440</u>	<u>82 814</u>
Accounts receivable and sundry debit balances	<u>1 357 379</u>	<u>597 048</u>
	<u>5 011 960</u>	<u>1 313 481</u>
Less:		
Due to other Funds:		
AOSC Fund	88 721	
Termination Payment Fund		22 914
Aeronautical Technical Training Fund	14 011	
Governments' Trust Fund accounts	407 368	262 446
UN/UNDP Trust Fund accounts	<u>510 100</u>	<u>571</u>
Accounts payable and sundry credit balances	1 631 650	3 857 262
Unliquidated obligations - current year	<u>9 571 438</u>	<u>6 543 440</u>
	<u>11 713 188</u>	<u>10 686 633</u>
	<u>(6 701 228)</u>	<u>(5 913 167)</u>

Certified correct:

Approved:


 S. Miyazaki
 Chief, Finance Branch


 Yves Lambert
 Secretary General

UNITED NATIONS DEVELOPMENT PROGRAMME

REPORT OF THE EXTERNAL AUDITOR ON THE STATEMENT SHOWING AS AT 31 DECEMBER 1985 THE STATUS OF FUNDS ADVANCED TO THE WORLD HEALTH ORGANIZATION BY THE UNITED NATIONS DEVELOPMENT PROGRAMME FOR THE FINANCIAL PERIOD 1 JANUARY 1984 TO 31 DECEMBER 1985.

1. My audit of the Statement and supporting Schedules relating to the participation of the World Health Organization in the United Nations Development Programme has been carried out in accordance with the Financial Regulations of WHO and UNDP. It included a general review of the accounting procedures and such tests of the accounting records as I considered necessary, and was performed in conjunction with my audit of the regular budget and subsidiary funds of the Organization.

2. During the 1984-1985 biennium my staff continued their examination of WHO's procedures for monitoring and evaluation of programmes and projects. They visited the WHO Regional Offices for Europe and the Western Pacific to examine and test their application of monitoring and evaluation procedures.

EUROPE

3. My staff found that the Regional Office for Europe had a sophisticated text and data processing system for the maintenance and updating of profile information. Monitoring was a continuous process and was formalized for the Regional Programme Committee's (RPC) evaluations of the region's programmes, usually in the first year of the biennium. Evaluation procedures had been revised in 1984 in collaboration with staff from WHO headquarters. The procedures followed WHO guidance on evaluation and were intended to provide summary evaluations for consideration by the RPC.

4. My staff reviewed compliance with the procedures by examining a sample of monitoring and evaluation documents relating to three regional programmes with 1984-1985 budget allocations totalling \$6,231,624 which were partly funded by UNDP. They noted certain shortcomings in the preparation of information for summary evaluations and in the documentation of RPC reviews. They were informed however that scheduled programme reviews had been completed. Such documentation as was available on the discussions by the RPC of the programmes my staff selected gave the impression that although the meetings reviewed many issues there tended to be no overall judgement made of the results and effectiveness of the programmes.

5. The Regional Office explained that the newness of the evaluation system and senior staff changes and vacancies might have had an influence on compliance with procedures and that they had set up a review group to revise their guidelines on evaluation.

WESTERN PACIFIC

6. In 1985 my staff visited the WHO Regional Office for the Western Pacific and examined the operation of the monitoring and evaluation system in relation to seven programmes with 1984-85 budget allocations totalling \$19,054,200 which were partly funded by UNDP.

7. My staff noted that programme objectives were not always fully defined and that the monitoring of progress was frequently hampered by the failure to establish target dates and key events or milestones in the life of the programme or project.

8. In response to my inquiries the Regional Office told me that in order to overcome previous difficulties they had instructed programme managers to adopt the same objectives in individual documents such as medium-term programmes, programme budget documents and programme profiles and to keep modifications to an essential minimum. They recognized that this might give the impression that their programming process was inflexible but they had tried to compensate for this by clearer definition of objectives and targets. They added that they would have regard to my comments in seeking improved definitions of objectives and targets for WHO's Eighth General Programme of Work for the period 1990 to 1995.

9. A Regional Programme Committee (RPC) comprised of senior staff was responsible for reviewing programmes every 18 months, but my staff found that at the time of their visit written reports of RPC reviews had not been produced. They were assured however by the Regional Office that the status and achievements of the programmes, the identification and solution of problems in implementation, and recent trends and future strategy had been covered by the reviews.

CONCLUSIONS

10. My conclusions from the findings of my staff and the information provided by the regional offices are that they had taken steps to introduce satisfactory procedures for monitoring and evaluation of programmes but that standards of compliance and documentation varied. However, both regional offices supplied me with satisfactory explanations for the shortcomings noted by my staff and were continuing to develop

and improve their systems.

11. I wish to record my appreciation of the willing, cooperation of the officers of the Organization during my audit.

Gordon Downey

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

18 March 1986

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UNITED NATIONS DEVELOPMENT PROGRAMME

WORLD HEALTH ORGANIZATION

Statement I

Status of funds for the financial period 1 January 1984 - 31 December 1985
 (expressed in US' dollars)

OPERATING FUND

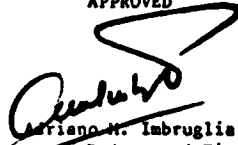
<u>Balance at 1 January 1984</u>				4 447 448
<u>Add:</u>	Cash drawings from UNDP			9 407 195
	Inter-office vouchers and other charges (net)			14 559 421
	Miscellaneous income and exchange adjustments (net)			33 623
	Miscellaneous items refunded to UNDP (net)			338 836
				<u>28 786 523</u>
<u>Deduct:</u>	Expenditure during 1984-1985 (Schedule 1)			
	For projects (Schedule 2)			
	Disbursements	17 259 933		
	Unliquidated obligations	7 904 863	25 164 796	
	For programme support costs		3 475 634	28 640 430
				<u>146 093</u>
<u>Balance at 31 December 1985</u>				<u><u>146 093</u></u>
<u>Represented by:</u>				
Accounts receivable (due by WHO)				<u><u>146 093</u></u>

CERTIFIED CORRECT



René H. Marti
 Chief, Accounts

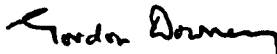
APPROVED



Ariano N. Imbruglia
 Director, Budget and Finance

OPINION OF THE EXTERNAL AUDITOR

I have examined the above Status of Funds Statement I and supporting Schedules 1 and 2 of the World Health Organization as Executing Agency of the United Nations Development Programme for the financial period ended 31 December 1985. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances. As a result of the examination I am of the opinion that the Statement and Schedules present fairly the financial position as at the end of the period and the results of the transactions for the period then ended; that they were prepared in accordance with the Organization's stated accounting principles which were applied on a basis consistent with that of the preceding financial period; and that the transactions were in accordance with the relevant Financial Regulations and legislative authority.



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

1801 K Street, N.W.
Washington, DC 20006

Telephone 202 296 0800

Price Waterhouse



April 25, 1986

To International Bank for Reconstruction
and Development and Board of Auditors
United Nations

We have examined the accompanying Statement I of the Status of Funds, Statement II of Expenditure by Source of Funds, and Statement III of Expenditures of the International Bank for Reconstruction and Development as Executing Agency for certain United Nations Development Programme projects for the year ended December 31, 1985. 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.

As described in Note 2, these statements are prepared in accordance with the format and accounting practices prescribed by the United Nations Development Programme. These practices differ in some respects from generally accepted accounting principles. Accordingly, the accompanying statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles. This report is intended solely for filing with the United Nations and is not intended for any other purpose.

In our opinion, the accompanying statements present fairly the status of funds and expenditures of the International Bank for Reconstruction and Development as Executing Agency for certain United Nations Development Programme projects for the year ended December 31, 1985, on the basis of accounting described in Note 2, which basis has been applied in a manner consistent with that of the preceding year.

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 1985

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 1985. Accordingly, we have issued our audit report dated 25 April 1986 on these financial statements.

Our audit report on the 1985 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 1985.

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

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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 by the World Bank. We have provided a report to World Bank management summarizing our recommendations. Our report in 1985 did not include any recommendations which we believe would allow for material errors to go undetected and appear in the financial statements. Our primary concerns related to the need for the World Bank to address the data processing control weaknesses surrounding the new general ledger system which was implemented for 1986. Further, we recommended that World Bank management consider certain organizational and resource allocation changes to deal with the increasing workload of those personnel responsible for UNDP accounting.

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 1985 examination, we reviewed all IAD audit reports and audit workpapers relating to IAD audits of UNDP related activities. In fact, it was the work of IAD in co-operation with Price Waterhouse which gave rise to our 1985 recommendations surrounding the new automated system.

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Review of Data Processing Controls

As we noted last year, the Trust Fund Unit has completed implementation of a new general ledger system. Although the system was not in place for use during all of 1985, it was utilized during the 1985 closing. We anticipate that the system will be helpful in increasing the efficiency of the Trust Fund Unit. As noted above, during the current year's examination IAD and Price Waterhouse reviewed the controls surrounding the new general ledger system and noted certain areas where improvements in electronic data processing controls could be made by the World Bank. The draft report contains recommendations concerning physical security, backup procedures, monitoring of system usage, and quality of user documentation. IAD is in the process of providing a report to World Bank management summarizing our recommendations.

We have under consideration 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 our testing. Such techniques are projected for 1986, during which the new system will have been effective for an entire year.

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% 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 US 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.

Our testing in 1985 did not reveal any unusual cash transactions or unreconciled balances. Generally, we found cash reconciliation procedures to be adequate. However, we have recommended to World Bank management that procedures be established in order to ensure that reconciling items are appropriately followed up on a timely basis.

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 1985 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 1985. Although not material to the financial statements taken as a whole, we did note certain differences in these amounts and have recommended to World Bank management that they establish procedures to reconcile such differences on a timely basis.

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

Accounts Payable and Unliquidated Obligations

We reviewed the accounts payable listing as of 31 December 1985 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 also performed a search for unrecorded liabilities, and found none.

We received satisfactory confirmation from UNDP of their concurrence with the use of the delivery method of accrual rather than the commitment basis. Although our 1985 audit work indicated that the bank generally follows this method, we did note certain instances where accruals were not fully supportable or based upon current year budget allocations; we have recommended that World Bank management establish procedures to ensure that delivery method of accrual procedures are followed.

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 the UNDP. For all new projects, we reviewed the correspondence from the UNDP authorizing the allocation and the signed project document. We also reviewed, on a test basis, correspondence authorizing amendments during 1985 to projects begun prior to 1985. We compared disbursements to date with approved allocations for each project and noted no overruns.

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Government counterpart contributions were summarized and tested as considered necessary. These contributions can either be made directly to the project or through UNDP. Direct deposits were tested in our cash testing and 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 examination 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 IBRD's computation of agency overhead cost which is based on 11% 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 1984 to the IBRD for overhead was credited in 1985. We reviewed the support for this refund by reviewing the agreement and the appropriate 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.

General

We obtained a representation letter from World Bank management and performed a subsequent events review. We also reviewed correspondence between the World Bank and UNDP that had financial statement significance.

OTHER SERVICES PROVIDED

Review of selected projects

In addition to work performed in connection with the UNDP audit, we reviewed a selection of 15 UNDP projects administered by the World Bank in order to determine whether:

- 1) The World Bank's procurement procedures were properly adhered to;
- 2) Project progress reports were submitted to UNDP on a timely basis;
- 3) The World Bank's follow-up procedures in connection with problems noted in the progress reports were adequate; and
- 4) Project expenditures were within budgeted expenditures.

The projects selected for review were chosen from each of the World Bank's six regions (Eastern and Southern Africa, Western Africa, East Asia and Pacific, South Asia, Europe/Middle East and North Africa, and Latin America/Caribbean) and the Global-Interregional section. Our selection is designed to ensure that different projects are evaluated from year to year. Our review included detailed discussions with the World Bank's project staff located in Washington, D.C. 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

Fourteen of the 15 projects reviewed included procurement of either consultants, experts/fellowships and/or equipment. Of these 14, 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 experts/fellowships, the guidelines include the selection and approval of the expert/fellowship by the country and the World Bank. In projects involving the procurement of equipment, the guidelines include the use of competitive bidding or the use of the World Bank's procurement department.

Extensive dialogue has taken place between the World Bank and the UNDP regarding the project (Sri Lanka 77/012) 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 5 of the 15 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 of the projects where problems were noted in the progress reports (4 of the 15 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 progress reports.

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 1984, for which the report had not yet been released at the date of our 1984 report.

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FUTURE CONSIDERATIONS

As a result of efficiencies achieved in our work surrounding World Bank procurement and monitoring procedures for UNDP projects, our fees to the UNDP for this work and preparation of this report were almost half of the amounts charged in prior years. In response to UNDP request, we expect to utilize such savings to expand our audit work in 1986 to include operational and control reviews of selected UNDP projects in the field. We will correspond further with the UNDP to discuss and finalize our proposal for additional effort.

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME
EXECUTING AGENCY: INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
STATUS OF FUNDS
YEAR ENDED DECEMBER 31, 1985
 (Expressed in U.S. dollars)

Operating Fund

Balance as of December 31, 1984 \$(5,592,197)

Add:

Cash drawings from UNDP	\$30,799,442		
Other charges (net)	10,795		
Inter-office voucher charges	3,485,958		
Miscellaneous income and exchange adjustments (net)	<u>9,635</u>		<u>34,305,830</u>
			28,713,633

Deduct:

Expenditures during 1985 (Statements II and III)			
For projects			
Disbursements	\$25,895,691		
Unliquidated obligations	7,467,626		
For programme support costs	<u>3,197,982</u>		<u>36,561,299</u>

Balance as of December 31, 1985 \$(7,847,666)

Represented by:

Cash at banks and in transit			\$ 4,471,015
Accounts receivable			<u>3,646,542</u>
			8,117,557

Deduct:

Accounts payable and accrued expenses	\$6,961,560		
Prior years unliquidated obligations	1,536,037		
1985 unliquidated obligations	<u>7,467,626</u>		<u>15,965,223</u>
			<u><u>\$(7,847,666)</u></u>

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

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Federal Audit Office

Translation from French
3003 Berne, 3 April 1986

UNIVERSAL POSTAL UNION, BERNE
ACCOUNTS OF TECHNICAL COOPERATION PROJECTS OF THE UNITED NATIONS DEVELOPMENT
PROGRAMME

FINANCIAL YEAR 1985

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 Cooperation project accounts, kept in United States of America dollars drawn up at 31 December 1985. In performing my duties at the headquarters of the International Bureau of the 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.

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 the UNDP.

Our audits by sampling dealt with the accounting of the movements relating to the IPF, PR and LDC allocations, the expenditure and proceeds of the financial year, and cash. The correctness of the amounts given in the financial statements at 31 December 1985 (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 and postal giro centres. The other main assets and liabilities were examined and a comparison was made between the latest UNDP document (OFS 85-11) and the amounts entered in the UPU's accounts at 31 December 1985.

By sampling, my colleagues examined certain expenditure concerning several experts and consultants, mainly remuneration and the costs incurred in travel to duty stations and back or in carrying out missions.

With regard to remuneration, they satisfied themselves that the amounts paid were actually due and corresponded to the scales in force. They found that the UPU International Bureau had accurately set the level of salary of the experts and consultants to whom it has to have recourse in executing projects assigned to it. The purpose of the conditions laid down is, on the one hand, to show the UPU's concern for economy with regard to staff costs and, on the other, to offer experts and consultants remuneration which motivates them.

Investigations into the travel expenses revealed that the UPU International Bureau tries to find the most direct route and to take advantage, wherever possible, of reduced rates offered by airlines.

2.2 The difference between the IPF, PR and LDC allocations provided by the UNDP in 1985, 2 673 849 dollars (Status of Allocation by Agency), and recorded by the UPU International Bureau, 1 374 584 dollars (Report No 7), arises from the method of bringing them to account and overlapping in the recording of project revisions.

2.3 The 1985 support costs put to account by the UPU International Bureau were calculated on the figures of the expenditure and of outstanding obligations concerning IPF and PR projects at the overall rate of 22 percent, in accordance with the decision of the Governing Council, 28th session, and the agreement given by the UNDP Administrator.

2.4 The amount of the outstanding obligations at 31 December 1985 remained at practically the same level as the previous year. Moreover, examination of the various positions showed that outstanding obligations relating to financial year 1985 and to financial year 1984 (put to account under "Creditors" at the end of 1985) had lapsed and should be cancelled.

2.5 The allocations granted under sectoral support which were not disbursed are given in the "Creditors" account. They are 15 173 dollars for 1984 and 9524 dollars for 1985.

2.6 The legal dispute about the transfer of the sum of 114 404.47 dollars mentioned in my report on financial year 1984 has been settled by a credit to the International Bureau.

2.7 According to the information given to me during our audit, the last two post offices, which I mentioned last year (paragraph 2.7 of my last report), had not yet been constructed.

3 CONCLUSIONS

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).

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 1985
(Expressed in US dollars)

Operating Fund

	<u>\$</u>	<u>\$</u>
Balance at 1 January 1985		(489 378.94)
Add: Cash drawings from UNDP	792 334.96	
IOVs and other charges (net)	957 927.07	
Miscellaneous income and exchange adjustments (net)	31 826.65	
Miscellaneous items refunded to UNDP (net)	<u>(888.47)</u>	<u>1 781 200.21</u>
		1 291 821.27
Less: Expenditure during 1985		
- For projects		
Disbursements (Schedule 1)	1 088 473.00	
Unliquidated obligations (Schedule 1)	523 159.00	
- For programme support costs (Schedule 1)	<u>354 559.04</u>	<u>1 966 191.04</u>
Balance at 31 December 1985		<u>(674 369.77)</u>
Represented by:		
Cash at banks, on hand and in transit		111 171.82
Accounts receivable		<u>153 306.44</u>
		264 478.26
Less: Accounts payable	415 689.03	
1985 unliquidated obligations	<u>523 159.00</u>	<u>938 848.03</u>
		<u>(674 369.77)</u>

CERTIFIED CORRECT:

APPROVED:

G. BENEY
G. BENEY
Head, Finance Section

A.C. Botto de Barros
A.C. BOTTO DE BARROS
Director-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 1985 and the results of its operations for the period then ended. For further details, I refer to my audit report of 3 April 1986.

Berne, 3 April 1986

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

[Original: French]

Swiss Federal Audit Office

3003 Berne, 7 May 1986

INTERNATIONAL TELECOMMUNICATION UNION, GENEVA
ACCOUNTS OF TECHNICAL CO-OPERATION PROJECTS
OF THE UNITED NATIONS DEVELOPMENT PROGRAMME

Financial Year 1985

Report by the External Auditor

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1. 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 1985, in my capacity of external auditor for the 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 also sent Mr. Faessler on a mission to inspect two projects in Africa.

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

During the audit, regular contact was maintained with Mr. R. Prélaz, Chief of the ITU Finance Department.

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 the ITU and the relevant UNDP rules.

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 Counterpart Cash Contributions (GCCC), expenditure and income during the financial year and liquid funds. The accuracy of items appearing in the financial statements at 31 December 1985 (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 the ITU accounts at 31 December 1985 were compared with the latest UNDP document (OFS 85-12).

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2.2 Missions

My colleagues effected spot checks on missions carried out under various national and regional projects.

While unable to judge the need for these missions or their length, they did find that the necessary authorizations had been given on the basis of well-founded requests.

Checks on expense accounts and bills from travel agencies showed that the rules governing travel, particularly with regard to subsistence allowances, payment of incidental expenses and travel by the cheapest means, had on the whole been applied in the proper fashion.

My colleagues are prompted by their findings to request that supporting evidence should be systematically attached to expense accounts in certain cases (stays at hotels entitling the staff member to a special subsistence allowance, major telephone bills).

2.3 Expert and consultants

My colleagues looked into the cost of a number of journeys by experts and consultants to and from their duty stations. Their investigations showed that the ITU was endeavouring to find the most direct route and to take advantage whenever possible of airlines' reduced rates. On the question of remuneration, my colleagues were satisfied that the payments made were actually due and corresponded to the scales in force. To ensure equal treatment of all experts and consultants recruited by the ITU for projects entrusted to it, they requested that in future pro rata salary calculations should be made on exactly the same basis for all projects.

2.4 Analysis of budgets and their successive revisions

In the case of a number of projects in the Asia Region, my colleagues made an analysis of the budgets and their successive revisions.

On the basis of the documents available at ITU headquarters in Geneva, and in particular the summary justifications put forward for adjustments and progress and tripartite review reports, and in the light of information received, they endeavoured to discover the reasons for the various budget revisions. It proved that for an outside observer, the justification put forward did not always bring out clearly enough the relationship of cause and

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effect. In some cases, the changes in the budget were due to delays which were not the fault of the ITU but of the countries concerned, e.g., long delays in approving experts or selecting fellows. In other cases, the need to establish certain kinds of infrastructure called for under the Government contribution was the reason for postponing the start of the project.

My colleagues found some uncertainty about the rules in the manual (PPM 3450, 3.11 1 and 2) on the question of the signatures required in the event of a cut in the allocation after an annual review of the project. The ITU considers that when documents bear the Resident Representative's signature, the requirements vis-à-vis the country concerned have been fulfilled and it is not essential for the Government's agreement to be authenticated by a signature.

2.5 Financial inspection of a regional project for the establishment of a telecommunication network

The financial audit carried out on the basis of the project file at ITU headquarters in Geneva was followed up in the field in Africa with an examination of the budgetary, staff and equipment aspects. A number of interviews were held with the project co-ordinator and senior officials from African organizations and the national telecommunication authority, in order to sound out their views on the importance of the project, its present and future status and its achievements to date. Apart from some questions of financial implementation which remain to be settled, there were not found to be any problems with project execution. On the other hand, it has to be said that the nature of this regional project affecting 45 countries and the very broad way in which its objectives are defined make it almost impossible to assess either its effectiveness or the extent to which its objectives are being achieved. Nevertheless, the considerable amount of work done on co-ordination and technical and operational assistance by the co-ordinator and the experts is appreciated and recognized as essential for the establishment of the telecommunication network. The project document should be drafted in such a way as to allow for evaluation and state objectives whose achievement can be assessed quantitatively and qualitatively.

The mission found two points which are in our opinion of particular importance if the project is to be carried over into the next UNDP financial period. The first concerns the experts' duty stations, which affect not just co-ordination and travel costs, but also the use of equipment (vehicles) and the services of local staff (secretary and driver). The second point to be made is the need in the long term for the African countries or some common organization to take over from UNDP the work of co-ordination and technical and operational assistance, which is recognized as a continuing requirement.

2.6 Financial inspection of a completed national project for a telecommunication institute

Inspection of the documents relating to project implementation at ITU Headquarters in Geneva was followed up by a visit to the telecommunication training institute and field interviews in Africa in order to form an estimate of the project's success some eighteen months after its completion. The overall assessment is broadly positive. It can be said that the objectives as modified and redefined during its implementation have been achieved.

It should be pointed out that, following a cut in the total budget of about 10%, training has been abandoned in one of the fields, that the difficulties encountered at the outset, although subsequently overcome, probably detracted from the project's effectiveness and that the equipment of the audio-visual laboratory is not in use today for lack of qualified staff.

2.7 Support costs

Support costs for 1985 posted to account by the ITU were determined on the basis of project expenditure in 1985, including unliquidated obligations, in accordance with the special arrangements made for the period 1982 to 1986 by decision of the UNDP Governing Council.

2.8 Contributions by a Member of the ITU

The dispute over the transfer of a credit of \$611,871.65 mentioned in point 2.3 of my report on the year 1984 has been settled following two payments by UNDP to the ITU.

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 I);
- Statement for UNDP sectoral support INT 78/020;

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- 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.

(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 1985

(Expressed in U.S. Dollars)

	\$	\$
<u>Operating Fund</u>		
Balance as at 1 January 1985		(2,314,433.86)
Add : Cash drawings from UNDP		15,285,000.-
I.O.V. and other charges (net)		7,326,780.-
Miscellaneous income and exchange adjustments (net)		127,087.41
Savings from completed projects		314.78
		<hr/>
		20,424,748.33
Deduct : Expenditure during 1985 (Schedule I)		
For projects : Disbursements	18,236,110.-	
Unliquidated obligations	3,729,213.-	
For programme support costs	2,920,592.-	
Adjustment of expenses on completed projects (to meet allocations)	2.-	24,885,917.-
Balance as at 31 December 1985	<hr/>	<hr/>
		(4,461,168.67)

<u>Represented by :</u>		
Cash at banks, on hand and in transit		473,194.89
Accounts receivable		537,605.92
		<hr/>
		1,010,800.81
Deduct : Accountspayable	1,742,756.48	
1985 Unliquidated obligations	<u>3,729,213.-</u>	5,471,969.48
		<hr/>
		(4,461,168.67)

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STATEMENT I (continued)

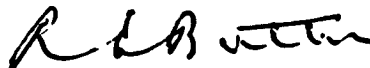
Certified correct :

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 1985 and the results of its operations for the period then ended.



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

Date : 7 March 1986

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UNITED NATIONS DEVELOPMENT PROGRAMME
REPORT OF THE EXTERNAL AUDITOR ON THE STATEMENT
SHOWING AS AT 31 DECEMBER 1985 THE STATUS OF FUNDS ADVANCED TO
THE WORLD METEOROLOGICAL ORGANIZATION
BY THE UNITED NATIONS DEVELOPMENT PROGRAMME

General

1. The statements and tables concerning the participation of the World Meteorological Organization in the United Nations Development Programme are presented in the form laid down by the UNDP. I examined them on the occasion of the audit of the accounts of the Regular Budget and subsidiary funds of the Organization.

2. Statement I indicates the financial resources placed at the disposal of WMO by the UNDP in 1985, the expenditures incurred by WMO during the financial year for payment of goods and services supplied within the framework of the projects and for programme support expenses, as well as the balance of the funds held by WMO as at 31 December 1985. Table 1 retraces the expenditures incurred by source of financing, as well as the corresponding expenditures for the 1985 financial year. Table 2 indicates the withdrawals and outstanding commitments to be financed under projects in each country and region during the year. The total amount of expenditures in 1985 comes to 15,523,804 United States dollars, which represents an increase of 14.8% over 1984.

Programme support expenses

3. Expenditure incurred by WMO for the administration of UNDP projects is charged to the Technical Co-operation Fund of the Organization. The UNDP contribution to this fund in 1985 was 2,032,000 dollars, a sum which is determined by taking the difference between the expenditures charged to the fund and the contributions coming from the trust funds and other sources.

This sum covers the normal UNDP contribution, i.e. 1,753,935 dollars, to which a flexibility margin is added amounting to 270,760 dollars. The method for calculating this flexibility margin was not changed in 1985. On the other hand, since the provisional cost of the programme support expenses was higher than the maximum amount of expenditure giving rise to reimbursement, it is the

latter sum which is taken as the basis for calculating the flexibility margin, in accordance with the provisions of UNDP/PROG/91. In this instance, the amount of margin from which WMO benefitted in 1985 was lower by two points (15% against 17%) than in 1984, owing to the increase in the total expenditure incurred for UNDP projects.

4. Table 6 shows the distribution of unspent funds by source of financing. Until 31 December 1984, a recording error led WMO to report inexact balances. Although the total amount of the unspent funds indicated in the table was not affected by this, the distribution by source of financing was incorrect. This was rectified in 1985 at the cost of not showing opening balances as they had appeared in the account at 31 December 1984.

(Signed) André Chandernagor
(Premier·Président de la Cour des Comptes
de la République française)

External Auditor of the
World Meteorological Organization

[Original: French]

UNITED NATIONS DEVELOPMENT PROGRAMME

WORLD METEOROLOGICAL ORGANIZATION

FINANCIAL POSITION AT 31 DECEMBER 1985

AUDITOR'S CERTIFICATE

I have examined Statement I attached hereto and the corresponding tables 1 and 2. All the information and explanations which I requested have been supplied to me and I hereby certify, after verification of the Accounts, that the attached statement and the corresponding tables are, in my opinion, accurate.

(Signed) André Chandernagor
(Senior President of the Audit Office
of the French Republic)
Auditor

/...


STATEMENT I

United Nations Development Programme
 WORLD METEOROLOGICAL ORGANIZATION
Status of Funds as at 31 December 1985
 (Expressed in US dollars)

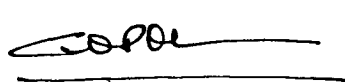
Operating Fund

	\$	\$
Balance at 1 January 1985		(666,106)
Add: Cash drawings from UNDP		9,555,668
IOVs and other charges (net)		5,929,167
Miscellaneous income and exchange adjustments (net)		92,606
Miscellaneous items refunded to UNDP (net)		(7,109)
		<hr/> 14,904,226
Less: Expenditure during 1985		
For projects		
Disbursements (Schedule 1)	11,402,600	
Unliquidated obligations (Schedule 1)	2,089,204	
For programme support costs (Schedule 1)	2,032,000	
		<hr/> 15,523,804
Balance at 31 December 1985		<hr/> <hr/> <u>(619,578)</u>
Represented by:		
Cash at banks, on hand and in transit		1,067,798
Accounts receivable		1,084,135
		<hr/> 2,151,933
Less: Accounts payable	682,307	
1985 Unliquidated obligations	2,089,204	
		<hr/> 2,771,511
		<hr/> <hr/> <u>(619,578)</u>

CERTIFIED CORRECT


 (A. Weber)
 Chief, Finance and
 Budget Division

APPROVED


 (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 Executive Agency of the United Nations Development Programme, during the year ended 31 December 1985, are recorded in the annexed Statement I and the accompanying schedules in the form prescribed by the UNDP. There has been no change in the form of the account compared with the previous year.

2. Statement I

2.1. Cash drawn from the UNDP during the year amounted to \$4,491,493 whilst payments made on behalf of IMO directly from UNDP funds for programme expenditure and charged to IMO by inter-office voucher, totalled \$1,692,863. Net miscellaneous income was \$115,097 and miscellaneous charges and refunds resulted in a net charge of \$2,315 as set out in Schedule 7.

2.2. Expenditure on project activities during 1985 amounted to \$3,498,697 (compared with \$6,536,119 in 1984) made up of disbursements \$3,255,377 plus unliquidated obligations of \$243,320. Programme support costs of \$911,473 brought the total expenditure to \$4,410,170. The balance of \$627,559 as at 31 December 1985 represents the balance due UNDP as at that date.

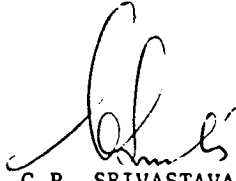
2.3. Unliquidated obligations remaining from previous years amounting to \$256,283 are included in accounts payable, as shown in Schedule 8.

2.4. The support cost of \$911,473 charged in the account to meet the cost of IMO's technical and administrative support of the programme, consists of 13% of the \$3,498,697 project expenditure (\$454,831) plus an amount of \$314,882 claimed under the arrangement for support cost flexibility for small Agencies approved by the UNDP Governing Council and an amount of \$141,760 agreed retrospectively by UNDP for 1984 in view of the higher than estimated programme delivery for 1984.

2.5. The number of individual projects on which expenditure was incurred in 1985 was 47.

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.



C.P. SRIVASTAVA

Secretary-General

/...

UNITED NATIONS DEVELOPMENT PROGRAMME

REPORT AND OPINION OF THE EXTERNAL AUDITOR ON THE STATEMENT SHOWING
AS AT 31 DECEMBER 1985, THE STATUS OF FUNDS ADVANCED TO THE
INTERNATIONAL MARITIME ORGANIZATION BY THE UNITED NATIONS DEVELOPMENT
PROGRAMME

I have examined the appended Status of Funds Statement I and supporting Schedules 1 and 2 relating to the participation of the International Maritime Organization in the United Nations Development Programme for the year ended 31 December 1985, in accordance with Article XII of the Financial Regulations of the Organization and the Additional Terms of Reference Governing External Audit appended thereto. The Statement and supporting schedules are in the form prescribed by UNDP for 1985. 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, and was performed in conjunction with my audit of the regular budget and subsidiary funds of the Organization.

As a result of my examination, I am of the opinion that the Statement and Schedules present fairly the financial position as at 31 December 1985 and the results of operations for the year then ended; that they were prepared in accordance with the Organization's stated accounting policies which were applied on a basis consistent with that of the preceding financial period; and that the transactions were in accordance with the Financial Regulations and legislative authority.

GORDON DOWNEY

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

5 June 1986

/...

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME

International Maritime Organization

Status of Funds as at 31 December 1985
 (expressed in US Dollars)

Operating Fund

	\$	\$
Balance at 1 January 1985		(1,259,409)
Add: Cash drawings from UNDP	4,491,493	
IOVs and other charges (net)	1,692,863	
Miscellaneous income and exchange adjustments (net)	115,097	
Miscellaneous items refunded to trust fund (net)	<u>(2,315)</u>	<u>6,297,138</u>
Less: Expenditure during 1985		
For projects:		
Disbursements (Schedule 1)	3,255,377	
Unliquidated obligations (Schedule 1)	243,320	
For support costs (Schedule 1)	769,713	
For support costs 1984 (Schedule 1)	<u>141,760</u>	<u>4,410,170</u>
Balance at 31 December 1985		<u>627,559</u>
Represented by:		
Cash at banks, on hand and in transit	886,826	
Accounts receivable	<u>353,804</u>	<u>1,240,630</u>
Less: Accounts payable	369,751	
1985 Unliquidated obligations	<u>243,320</u>	<u>613,071</u>
		<u>627,559</u>

Note: UNDP has agreed retrospectively to increase the programme support costs reimbursement for 1984 to \$1,241,760 from the original figure of \$1,100,000 in view of the higher than estimated programme delivery in 1984.

CERTIFIED CORRECT

D. Muthumala
 D. Muthumala
 Head, Finance Section

APPROVED

C.P. Srivastava
 C.P. Srivastava
 Secretary-General, /...

[Original: French]

Swiss Federal Audit Office

3003 Berne, 23 April 1986

WORLD INTELLECTUAL PROPERTY ORGANIZATION, GENEVA
ACCOUNTS OF TECHNICAL CO-OPERATION PROJECTS
OF THE UNITED NATIONS DEVELOPMENT PROGRAMME

Financial Year 1985

Report by the External Auditor

/...

1. General Remarks

In accordance with the agreements concluded between WIPO and the Swiss Government on the external audit of accounts, and pursuant to article XVII of the Financial Regulations and Rules of the United Nations Development Programme (UNDP), I have audited, in my capacity as external auditor, the technical co-operation project accounts expressed in United States dollars as at 31 December 1985. In carrying out my work at the headquarters of the International Bureau of WIPO in Geneva, I had the co-operation of Mr. F. Faessler, Section Chief, and of his assistant Mr. A. Vuillemin.

I wish to express my gratitude for the courteous way in which the information and documents necessary for the performance of my assignment were made available by all the staff members of the International Bureau called upon for this purpose.

The 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 the commonly accepted auditing standards and with the terms of reference annexed to WIPO Financial Regulations.

Spot checks were made of the entries showing the changes in expenditures and income, and in the cash funds. The accuracy of the entries in the financial statements, as at 31 December 1985, (Statement I, Schedules 1 and 2) was checked. The cash-account balances, as at the same date, were checked against the bank statements. The other main entries under assets and liabilities were audited. Reconciliation between the last UNDP statement of accounts (OFS 85-11) and the amounts recorded in the WIPO accounts as at 31 December 1985 was carried out.

2.2 My colleagues also reviewed, with the help of the files and documents available to them at WIPO headquarters and of supplementary information provided to them, the financial development of some projects, including expenditure on consultant fees, travel costs and equipment purchases. They found that:

- the remuneration paid to consultants varied widely, depending on the terms of recruitment. When the consultants are WIPO employees, WIPO enters the total salary cost for the duration of the assignment;

/...

- for a project scheduled for completion at the end of 1985, a large part of the allocations still available was used, on the recommendation of the tripartite review mission, for the purchase of materials and replacement parts for photocopying machines, whereas the project document specifies that equipment maintenance and office supplies are to be contributed by the Government.

2.3 The 1985 support costs posted by the WIPO International Bureau were calculated, as in previous years, on the basis of the figures for expenditure and unliquidated liabilities in relating to indicative planning figure (IPF) and Government cash counterpart contribution (GCCC) projects at a global rate of 22 per cent, in accordance with the decision adopted 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 given in the financial statements as at 31 December 1985 (Statement I, Schedules 1 and 2, Statement I Trust Fund for the training in the USSR of specialists from developing countries) agree with those shown in the accounts submitted.

Upon completion of my work, I issued the audit certificate attached as an annex to the present 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
WIPO

Status of Funds as at 31 December 1985


(Expressed in US dollars)

<u>Operating Fund</u>	\$	\$
Balance at 1 January 1985		(103'296.67)
Add: Cash drawings from UNDP	1'221'420.07	
IOVs and other charges (net)	1'055'553.27	
Miscellaneous income and exchange adjustments (net)	2'035.90	
Miscellaneous items refunded to UNDP (net)	<u> -.-</u>	2'279'009.24
 <u>Less: Expenditure during 1985</u>		
For projects		
Disbursements (Schedule 1)	1'776'552.55	
Unliquidated obligations (Schedule 1)	73'961.15	
For programme support costs (Schedule 1)	<u>407'113.01</u>	<u>(2'257'626.71)</u>
Balance at 31 December 1985		(81'914.14) =====
 Represented by:		
Cash at banks, on hand and in transit	1'929.67	
Accounts receivable (Schedule 8)	<u>146'211.28</u>	148'140.95
 <u>Less: Accounts payable (Schedule 8)</u>	156'093.94	
1985 Unliquidated obligations	<u>73'961.15</u>	<u>(230'055.09)</u> (81'914.14) =====

CERTIFIED CORRECT


 Gilles Frammery
 Senior Finance Officer

APPROVED


 Albert Jaccard
 Controller

AUDIT CERTIFICATE

/...

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 1985 and the results of its operations for the period then ended. For further details, I refer to my audit report of 23 April 1986.



Berne, 23 April 1986

W. FREI

Deputy Director
Swiss Federal Audit Office
(External Auditor)

/...

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 31 DECEMBER 1985

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 1985 - Operating Fund
- ii) Schedule 1 - Expenditures by source of funds for the year ended 31 December 1985
- iii) Schedule 2 - Expenditures by country for the year ended 31 December 1985

United Nations Financing System for Science and Technology for Development

- iv) Statement 1 - Status of funds as at 31 December 1985 - Operating Fund
- v) Statement 2 - Status of funds as at 31 December 1985 - Unspent Allocations
- vi) Schedule 1 - Project expenditure for the year ended 31 December 1985
- 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 1985 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 and as a result, I have certified the Statements and Schedules as being correct.

/...

UNDP-Operating Fund

3. The UNDP Operating Fund Statement as at 31 December 1985 reflects a year-end negative Fund balance of \$56,397 which is expected to be covered by subsequent cash drawings from UNDP. The Statement also shows unliquidated obligations amounting to \$576,825 as at 31 December 1985 which when compared to the balance of \$768,854 reflected as at 31 December 1984 indicates an improvement in liquidation of obligations by the Agency in its role as Executing Agency.

UNFSSTD - Operating Fund

4. The United Nations Financing System for Science and Technology for Development Operating Fund which started the year with a balance of \$453,110 ended the year with a negative Fund balance of \$186,407. It has been explained that this situation arose as a result of a high level of expenditure during 1985 which totalled \$1,000,888 compared with only \$288,592 in 1984. The expenditure figure of \$1,000,888, however, includes Unliquidated Obligations amounting to \$392,564 as at 31 December 1985.

5. 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, 24 March 1986

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STATEMENT I

**UNITED NATIONS DEVELOPMENT PROGRAMME
 INTERNATIONAL ATOMIC ENERGY AGENCY**

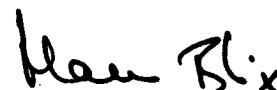
Status of funds as at 31 December 1985
 (Expressed in US dollars)

OPERATING FUND

Balance as at 1 January 1985		(339 271)
Cash drawings from UNDP	484 164	
Interoffice vouchers and other charges (net)	1 941 701	
Miscellaneous income and exchange adjustments (net)	(24 828)	2 401 037
		<u>2 061 766</u>
 Expenditure during 1985		
For projects		
Disbursements (Schedule 1)	1 159 374	
Unliquidated obligations (Schedule 1)	576 825	
For programme support costs (Schedule 1)	381 964	2 118 163
		<u>(56 397)</u>
Balance at 31 December 1985		<u><u>(56 397)</u></u>
 REPRESENTED BY:		
Cash at banks, on hand and in transit		648 751
Accounts receivable		138 123
		<u>786 874</u>
Accounts payable	266 446	
1985 unliquidated obligations	576 825	843 271
		<u>(56 397)</u>



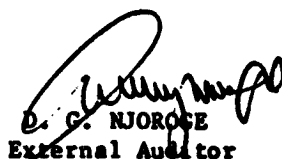
BERNARD L. BECHETOILLE
 Director, Division of Budget and Finance



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.

24 March 1986



D. G. NJOROGE
 External Auditor

UNITED NATIONS DEVELOPMENT PROGRAMME

REPORT OF THE EXTERNAL AUDITORS ON THE ACCOUNTS OF
THE WORLD TOURISM ORGANIZATION AS AN EXECUTING AGENCY FOR THE
UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)
FOR THE FINANCIAL YEAR 1985

Opinion

1. We have carefully examined the financial report and tables submitted to us by the World Tourism Organizations (WTO) in its capacity as an executing agency for the funds allocated to it by the United Nations Development Programme (UNDP), as contained in pages 61 to 64 of financial document CE/28/6(c), on the administrative accounts for the financial year 1985.
2. We have jointly and separately reviewed the accounting procedures and such texts of the accounting records and other supporting evidence as we considered necessary in the circumstances.
3. As a result of our examination, we are of the opinion that, from the accounting standpoint, the financial statements properly reflect the financial transactions for the year 1985 and that, in accordance with the applicable provisions, they present fairly the financial position at 31 December 1985, subject to the following observations.

Observations

4. Our observations, like last year's, are strictly limited to accounting aspects (rigorous application of accounting standards, and adequacy of the supporting evidence). We have not had the opportunity of verifying whether the resources provided for the programme were in fact used for the purposes for which they were intended.
5. Bearing in mind the practices of international organizations, we are of the opinion that, in the interest of greater efficiency in this area, the conditions and limits within which fees may be paid to experts (i.e. on the basis of a set scale of fees) and the conditions in which certain expenses may be paid for members of experts' families (e.g. transport expenses) should be specified.

/...

6. We wish to express our gratitude to the Secretary-General of the World Tourism Organization and his staff, and the Finance Service in particular, for their diligent and cordial co-operation throughout our assignment. We have been supplied with all the information we considered necessary, which has greatly facilitated our examination of the Organization's books and accounting documents.

Madrid, 14 March 1986

(Signed) J. P. Cortés Camacho

(Signed) Nistor Moise

/...

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME
World Tourism Organization

Status of Funds as at 31 December 1985
(Expressed in US dollars)

Operating Fund

Balance at 1 January 1985			(9,645.10)
Add: Cash drawings from UNDP	950,000.00		
IOVs and other charges (net)	356,641.90		
Miscellaneous income and exchange adjustments (net)	4,094.93		
Miscellaneous items refunded to UNDP (Net)	22.00	1,310,758.83	
			1,301,113.73
Less: Expenditure during 1985			
For projects			
Disbursements (Schedule 1)	1,174,552.80		
Unliq. obligations (Schedule 1)	64,246.50		
For support costs (Schedule 1)	157,542.02	1,396,341.32	
Balance at 31 December 1985			(95,227.59)
Represented by:			
Cash at banks		45,116.50	
Accounts receivable		28,295.53	
			73,412.03
Less: Accounts payable	104,393.12		
1985 Unliquidated obligations	64,246.50	168,639.62	
			(95,227.59)



CERTIFIED CORRECT

Eduardo Ramos-Reimundín
Eduardo Ramos-Reimundín
Chief of Finance

APPROVED

Willibald P. Pahr
Willibald P. Pahr
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 : انمـربي - تلـكس : انمـرب 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 Preparation of Inter-Country Investment Projects and related Feasibility Studies .

Statement of Expenditures by Project

1/1/1985 - 31/12/1985

U.N.D.P. Share

<u>Project</u>	<u>K.D.</u>	<u>U.S.\$</u>
Al Hilla Regional Project.	7,500.000	25,935.40
Regional Training Programme at Wad El Magboul Institute.	885.212	3,061.11
Agricultural Machinery and Equipment in the Arab Countries (Phase II)	2,350.000	8,126.43
The Establishment of an Arab Joint Project for the Manufacture of Fishing Gear.	11,924.185	41,234.47
Preparation of Prototype Postliteracy Books	193.600	669.48
Regional Arab System for Labour Market Information.	688.800	2,381.91
	<u>23,541.797</u>	<u>81,408.80</u>
Administration Expenses 13%	=====	10,583.14
		<u>91,991.94</u>
		=====
GRAND TOTAL		91,991.94

الصندوق العربي للإسـماء الإقتصادي والإجتماعي

تلفون : ٢٤٥١٥٨٠ - ص . ب ٢١٩٢٣ كويت - برقيـا : انـمـعـريـي - تلـكس : انـمـعـر ب 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

Preparation of Inter-Country Invest-

ment Projects and related Feasibility

Studies

Statement of Expenditures

1/1/1985 - 31/12/1985


U.N.D.P. Share

(in U.S.Dollar)

<u>No.</u>	<u>Component</u>	<u>M/M</u>	<u>Amount</u> <u>\$</u>
11-01	Team Leader	-	-
11-02	Project Economist	-	-
11-03	Financial Analyst	-	-
11-04	Project Engineer	-	-
16	Other Costs	-	-
29	Sub-Contracts	-	81,408.80
49	Equipment	-	-
59	Miscellaneous	-	-
99	Total		81,408.80
	Admin. Expenses 13%		10,583.94
			91,991.94
		=====	=====

Faiz Abed

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


Acting Director of Finance
Arab Fund for Economic and
Social Development

We have examined the financial statements of the ARAB fund for Economic and social Development for the year ended 31.12.1985.

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 31.12.1985 are not fairly presented.

A. A. AL-RASHED (CPA)



/...

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
1985

Schedule 1 - Expenditures by Source of Funds for the
year ended 31 December 1985

Schedule 2 - Expenditures by Country for the year ended
31 December 1985

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 1985 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 Hopkins & Sells

28 February 1986

SUPPLEMENTARY INFORMATION PROVIDED BY
DELOITTE HASKINS AND SELLS, 11 JUNE 1986, 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 ("IAO") encompasses surveys and audits of areas that impact both directly and indirectly on UNDP-financed projects; in 1985 IAO's work focused on the follow-up of previous recommendations and the status of the implementation of such recommendations. All of their major 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 1985 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 1985, noting no exceptions.

Cash Drawings, IOVs and Other Charges - Obtained positive confirmation of 1985 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 1985 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 - We selected three of the five consultants contracts that were awarded in connection with the five UNDP-financed projects that were approved during 1985. For each of the selected 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 twenty-eight UNDP-financed projects being administered by the Bank as of 31 December 1985 and performed the following procedures for each of the selected projects:

- . Compared project expenditures accumulated through 31 December 1985, 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.

In performing the foregoing procedures, nothing came to our attention that caused us to believe that the projects were not being monitored, or that progress reports were not being submitted, on a timely basis. Furthermore, the Bank appears to be taking appropriate follow-up actions, to the extent practicable, with respect to problems identified in the progress reports.

In two instance we noted that information on expenditures to date and related budget data were not incorporated into the progress reports. We recommend such information be included in all progress reports to facilitate the review and analysis made by users of the reports.

Work of Internal Auditors - We were informed by officials of the IAO that no final reports pertaining to UNDP-financed projects were issued during 1985.

We read the semi-annual "Audit Recommendations Implementation Reports" prepared by IAO during the year which provide information on the findings and audit recommendations from prior IAO reports and the current status of their implementation. We identified those reports pertaining to UNDP-financed projects administered by the Bank (as summarized in our letter report dated 31 May 1985) and noted that all major recommendations, which were principally directed towards improvements in efficiency and effectiveness, had been implemented.

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 1985
 (Expressed in US dollars)

Operating Fund

Balance at 1 January 1985		\$ 14,833.82
Add: Cash drawings from UNDP	\$ 4,148,088.82	
IOVs and other charges (net)	197,432.65	
Miscellaneous income and exchange adjustments (net)	9,847.17	
Miscellaneous items refunded to UNDP (net)	<u>35,838.64</u>	<u>4,391,207.28</u>
		\$ 4,406,041.10
Less: Expenditures during 1985 - Schedule 1		
For projects:		
Disbursements	2,894,262.40	
Unliquidated obligations	1,655,223.33	
For programme support costs	<u>591,433.14</u>	<u>(5,140,918.87)</u>
Balance at 31 December 1985		<u>(\$ 734,877.77)</u>
Represented by:		
Cash at banks, on hand and in transit		\$ 524,968.22
Accounts receivable		<u>589,264.55</u>
		\$ 1,114,232.77
Less: Accounts payable	193,887.21	
1985 Unliquidated obligations	<u>1,655,223.33</u>	<u>(1,849,110.54)</u>
		<u>(\$ 734,877.77)</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 1985

(United States dollars)

<u>1984</u>		<u>1985</u>
(9 610 360)	Balance at beginning of year	(9 365 508)
44 608 657	Add: Cash drawings, inter-office vouchers and other charges (net)	49 533 034
(40 880)	Miscellaneous income and exchange adjustments (net)	(31 213)
<u>47 064</u>	Miscellaneous items refunded to UNDP (net)	<u>5 577</u>
<u>35 004 481</u>		<u>40 141 890</u>
	Less: Expenditure during 1985	
	For projects executed by UNDP:	
35 651 257	Executed by the Office for Projects Execution	40 191 154
<u>68 954</u>	Other amounts charged to IPFs (Note 11)	<u>1 987 008</u>
35 720 211		42 178 162 a/
	For projects executed by the United Nations Volunteers programme	<u>5 434 546 a/</u>
<u>3 623 123</u>		47 612 708
39 343 334		<u> </u>
	For support costs:	
	Administrative costs:	
3 922 539	Office for Projects Execution (Note 15)	3 859 640
894 736	Inter-Agency Procurement Services Unit (Note 15)	877 938
<u>209 380</u>	Support costs paid by the Office for Projects Execution to associated agencies (net) (Note 10)	<u>88 678</u>
<u>5 026 655</u>		<u>4 826 256</u>
44 369 989		52 438 964
<u> </u>		<u> </u>
<u>(9 365 508)</u>	Balance at end of year	<u>(12 297 074)</u>
	Represented by:	
	Unliquidated obligations	
(9 344 358)	Office for Projects Execution	(12 282 174)
<u>(21 150)</u>	United Nations Volunteers programme	<u>(14 900)</u>
<u>(9 365 508)</u>		<u>(12 297 074)</u>

a/ As shown in schedule 5 to the nearest thousand dollars.

* Extract from Official Records of the General Assembly, Forty-First Session, Supplement No. 5A (A/41/5/Add.1), which also contains the report of the United Nations Board of Auditors on the UNDP financial statements for 1985.