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**POLICY**

**FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS**

Audit reports

Note by the Administrator

Summary

This document provides an explanatory note on the audited accounts and audit reports of the executing agencies, relating to funds allocated to them by UNDP as at 31 December 1985. Also included are salient comments on substantive observations of the auditors, UNDP follow-up with the agencies concerned with respect to such observations, and a summary of the action taken by UNDP in response to Governing Council decision 86/48. Document DP/1987/9/Add.1 contains the audited accounts and audit reports submitted by the participating and executing agencies relating to funds allocated to them by UNDP as at 31 December 1985.

## INTRODUCTION

1. The audited accounts of executing agencies relating to funds allocated to them by the United Nations Development Programme (UNDP) as at 31 December 1985 are contained in the addendum to the present document (DP/1987/9/Add.1), together with a summary of the status of funds submitted by the executing agencies as at 31 December 1985, and a combined status of funds for the year ended 31 December 1985 reflecting technical co-operation activities executed by the United Nations, the United Nations regional commissions, the United Nations Industrial Development Organization (UNIDO), the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Centre for Human Settlements (Habitat).
2. The amounts reported in the UNDP financial report and audited financial statements for the year ended 31 December 1985 1/ were based on the unaudited accounts of the executing agencies. Adjustments introduced in the audited accounts after the preparation of the financial statements of UNDP for 1985 have been reflected in this document, as appropriate. Relevant adjustments have been made in the UNDP accounts in 1986.
3. At its thirty-third session, the Governing Council, in decision 86/48 of 27 June 1986, 2/ reaffirmed, as it had in previous years, its wish that increasing emphasis be given by the external auditors to the preparation of long-form narrative audit reports that include observations on the effectiveness of financial management. The Council requested the Administrator of UNDP to bring the decision and the views expressed by the Budgetary and Finance Committee on this subject to the attention of the Panel of External Auditors, and to continue his efforts to ensure that long-form narrative audit reports were submitted in respect of every executing agency which carried out a significant volume of the activities financed by UNDP.
4. In response to the request of the Governing Council, the Administrator brought to the attention of the Panel of External Auditors Council decision 86/48 and the views expressed by the Budgetary and Finance Committee. The subject was considered by the Panel at its session in November 1986, and a summary of its position on this matter is provided in a letter dated 3 March 1987 from the Chairman of the Panel to the Administrator (see annex).
5. As requested in Governing Council decision 85/40 of 29 June 1985, 3/ the Administrator has included below a summary of the most significant observations contained in the audit reports of UNDP itself for the year ended 31 December 1985 and of the United Nations for the biennium ended 31 December 1985, as well as the comments made and follow-up actions taken by the respective administrations of UNDP and the United Nations in response to those audit observations. Following the Fifth Committee's consideration, at the forty-first session of the General Assembly, of the audited financial statements and audit reports of all organizations subject to audit by the United Nations Board of Auditors, the General Assembly adopted resolution 41/176 of 5 December 1986, which contains the following paragraphs:

"10. Requests the governing bodies of all organizations subject to audits by the United Nations Board of Auditors to review thoroughly at their regular sessions the report of the Board of Auditors, the report of the Advisory Committee on Administrative and Budgetary Questions, the related comments made in the Fifth Committee and the remedial action planned or taken by the respective executive heads in response to the comments and observations of the Board of Auditors and the Advisory Committee, as approved by the General Assembly;

"11. Invites Governments that are represented on the governing bodies of organizations and programmes for which audited financial statements have been considered by the General Assembly to ensure that their representatives on those bodies give full consideration to the reports of the Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions and the related comments made in the Fifth Committee."

6. Accordingly, in addition to making available during the thirty-fourth session of the Governing Council copies of General Assembly document A/41/5/Add.1 and Corr.1, which contains the annual audited financial statements of UNDP for the year ended 31 December 1985, the report of the United Nations Board of Auditors thereon, the Administrator's financial report for 1985 and the Administrator's observations on the comments and recommendations of the Board of Auditors, the Administrator will also make available copies of the related report of the Advisory Committee on Administrative and Budgetary Questions (A/41/632). A summary of the comments made in the Fifth Committee on this item is included in section IX of the present document.

#### I. INTERNATIONAL LABOUR ORGANISATION

7. The external auditors reported that as part of their review of the development and implementation of the evaluation procedures of the International Labour Organisation (ILO) they made a test examination of the procedures. Their examination included a review of papers relating to two projects financed by UNDP. They found the results to be generally satisfactory.

8. The auditors noted that the ILO had suspended its own procedures for monitoring and evaluation of UNDP-financed projects with budgets in excess of \$400,000 because of an agreement with UNDP for the field testing of new evaluation procedures. This test was for a period of one year from May 1985 to May 1986. The main purpose of UNDP was to test the enhanced monitoring and evaluation procedures that were developed after extensive consultations with executing agencies. The field test has been completed and the results independently evaluated. The findings of the independent evaluation generally are positive and have been submitted to the Governing Council in the report of the Administrator entitled "Evaluation" (DP/1987/21).

9. The Administrator would emphasize that, even though UNDP took the lead role during this test phase, the monitoring and evaluation of projects continue to be a tripartite activity. The initial responsibility for this activity lies, as before, with the relevant executing agencies.

10. The auditors plan to review the operation and results of the UNDP-enhanced project monitoring and evaluation procedures during their audit of the 1986-1987 biennium financial activities. In so doing, the Administrator would note that it is important that the use of those results and the feedback therefrom be assessed with regard to action taken. The use and feedback therefrom of monitoring and evaluation results continue to be of some concern to UNDP.

## II. FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

11. The external auditors of the Food and Agriculture Organization of the United Nations (FAO) reported that, as part of their audit of FAO operational activities, they reviewed the headquarters inventory control system for UNDP equipment and examined local project inventories during field visits to nine projects in two countries. The purpose of the review was to examine the effectiveness of the inventory control system at FAO headquarters and at the project level.

12. The auditors' review of the headquarters inventory control system revealed that the FAO manual had not been updated to take account of the computerization of records in 1980, that there was no formal guidance on the classification of non-expendable equipment, and that information on the quantity, condition and location of project equipment could not be readily obtained by headquarters. FAO subsequently advised the UNDP administration that the draft FAO manual relating to UNDP equipment was at an advanced stage of completion and that FAO planned to implement it in March 1987. The UNDP administration has noted FAO's undertaking of major development work, which includes feasibility study for improvement in inventory control, and the plans to follow up with FAO at a later stage regarding the effectiveness of the implementation of the improved inventory controls.

## III. UNITED NATIONS EDUCATIONAL, SCIENTIFIC AND CULTURAL ORGANIZATION

13. The external auditors reported that, as part of the continuing review of UNDP-financed activities of the United Nations Educational, Scientific and Cultural Organization (UNESCO), they visited two countries and examined 15 projects being executed by UNESCO in the educational and scientific fields. Of the projects examined, eight were located in a country in South Asia and the remaining seven were located in a country in South-East Asia. The overall purpose of the visits was to assess the efficiency and effectiveness of project implementation.

14. The auditors also reported that six of the projects examined in South Asia were implemented in accordance with the principles outlined in UNDP's policy paper entitled "New Dimensions in Technical Co-operation" (DP/220), approved by the Governing Council in 1977. <sup>4/</sup> Their examination therefore included an assessment of the effectiveness of the application of this policy with respect to those six projects.

15. The auditors stated that objectives defined in project documents were often vague and unclear and that this in turn hindered evaluation of results. The

Director-General of UNESCO, in his report of 27 August 1986 to the Executive Board (125 EX/25 Add.Corr.), stated that, while every effort was being made to have clearly defined and measurable objectives, UNESCO sometimes faced practical difficulties in such endeavours; and that projects which dealt with the development of an educational system often presented unquantifiable elements and factors. The UNDP administration is concerned with (a) the lack of clearly defined attainable and time-bound objectives, (b) the precise measurement of outputs and (c) the ability of relevant parties to provide adequate inputs to achieve project objectives. This has led UNDP itself to review and update systematically the instructions affecting the formulation and design of projects. Monitoring and evaluation have also been specifically directed at the problem of vague and unclear project objectives.

16. UNESCO undertook an experiment in which the responsibility for administration and co-ordination of the six educational projects was centralized and assigned to the recipient Government. The Government itself then appointed national project directors for each project. It should be noted that the assignment of the responsibility for administration and co-ordination was in accordance with the principles of the New Dimensions policy. 4/ The principal objectives of this experiment were to reduce the overall administrative cost and retain acquired expertise after completion of the projects. The UNESCO administration, in response to queries from the auditors on co-ordination and administration of the six projects, explained that the experiment had not been as successful as it had expected, and that this was due to the fact that the national project directors were part-time appointees with other unrelated duties and that the country's procedures required all project proposals to be processed at both the national and provincial levels. The Director-General, in his report (125 EX/25 Add.Corr.), also advised that useful lessons had been learnt by the UNESCO secretariat through careful examination of final reports. The reports were prepared by a UNESCO mission and copies were forwarded to UNDP in March 1986. The Administrator notes the Director-General's remarks concerning lessons learnt from the experiment.

17. The auditors concluded, and UNESCO agreed, that the shortcomings of UNESCO-executed projects were due mainly to the manner in which the principles of the New Dimensions policy were applied. Notwithstanding the auditors' remarks that application of those principles should be carefully monitored, the Administrator would like to re-emphasize UNDP's commitment to provide all necessary facilities that will help to promote technical, scientific and managerial self-reliance through the building and strengthening of appropriate institutions in recipient countries. 5/ The Administrator would also note that UNDP undertook an operational study in 1986 to examine, inter alia, problems associated with national project management. Implementation of the recommendations of this study should assist in alleviating past difficulties encountered in this particular aspect of the New Dimensions policy.

18. With regard to the seven UNDP-financed projects in a country in South-East Asia, the auditors found that in general project documents were sound, project objectives were clear and budgetary controls were adequate. They also reported that programmes and projects appeared to benefit considerably from the procedures developed and employed by the national Government to select suitable international

candidates and overseas courses. The UNDP administration agrees in principle with this approach of strengthening national capability in identifying its human resource development needs; and it looks to executing agencies to provide the technical support and decision-making to ensure that technical requirements of the projects benefit from this process.

19. The auditors pointed out that timely delivery was a key factor in successfully completing projects and that both UNESCO and national inputs had generally been delivered in good time, except for one project, "The full computerization of the National Information and Documentation Centre", which experienced delays for some three years. UNESCO advised that the Centre was now fulfilling its role and that the problems relating to computer equipment and training of personnel had been resolved.

20. The auditors remarked that another key factor in ensuring successful completion of projects was the degree of control and co-ordination exercised over inputs. The auditors revealed that lack of co-ordination was evident in one instance where a number of national departments were involved. This in turn caused severe delays of up to two years in recruitment and delivery of other government inputs, and failure of the project to meet its development objectives. The Director-General, in his report (125 EX/25 Add.Corr.), explained that at the instigation of the UNESCO consultant assigned to the project to solve and overcome potential problems, a Project Implementation Unit had been established. This Unit comprised the various national departments involved in the project. The Director-General also noted that this initiative had proved to be highly effective and that the initial difficulties encountered in implementation had been resolved.

21. With regard to the examination of two of the seven UNDP-financed projects in a country in South-East Asia, the external auditors remarked, and the Administrator agrees, that 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 objectives of a specific project. The auditors concluded that a significant number of long-term degree-oriented fellowships were provided largely to satisfy national requirements for university teachers to hold post-graduate qualifications. The Director-General of UNESCO, in his report (125 EX/25 Add.Corr.), explained that these long-term fellowships constituted a necessary investment in the infrastructural development of technical teacher education. In this regard, the Administrator would like to point out that UNDP's decision to finance these long-term fellowships was taken primarily to achieve the project's objective, which in turn resulted in a considerable benefit to the Government of the country in strengthening its educational system.

22. In connection with one of the two projects, the auditors noted that it provided for 27 degree fellowships abroad for an average duration of 27 months. The project in question, as UNESCO clearly stated, was designed to enhance quality of education and as such it was necessary to train a permanent core group of resource personnel. The Administrator would like to advise that this decision was taken within UNDP's policy of providing flexible and adequate support to strengthen a key institution in the country concerned. 4/ This view was also supported by the joint UNDP/UNESCO/ILO and the Government Education Mission of October 1983, which

"recommended that the long-range personnel needs be surveyed at the national and provincial levels and an overall long-range fellowship training programme be devised".

23. The auditors stated that there was no formal commitment of "expensively" trained personnel to remain with the universities concerned. Both the Director-General and the Administrator agree that it is the Government's responsibility to assign newly qualified fellows to the appropriate projects. The Administrator is satisfied that fellows were indeed being assigned to the projects that provided fellowship awards. Moreover, UNDP was assured that it is an established practice for the country concerned to get successful fellows to serve the Government for a period of five years under a bonding arrangement.

#### IV. WORLD HEALTH ORGANIZATION

24. The external auditors of the World Health Organization (WHO) reported that they had visited WHO's regional offices for Europe and for the Western Pacific to examine and test their application of procedures for monitoring and evaluation of programmes and projects.

25. With regard to the Regional Office for Europe, the auditors reviewed a sample of monitoring and evaluation documents relating to three programmes that were partly funded by UNDP. The procedures call for summary evaluations to be provided to WHO's regional programme committees. In reviewing the documentation that was available on the discussions by those committees concerning the summary evaluation of programmes, the auditors were of the opinion that the regional programme committees did not generally provide an overall judgement on the results and effectiveness of the programmes. In response, WHO informed the auditors that the newness of the evaluation system and senior staff changes and vacancies might have had an influence on compliance with procedures; and that it had set up a review group to revise their evaluation guidelines. WHO subsequently indicated to the UNDP administration that the revised evaluation guidelines had been implemented and that they included provisions to provide an overall judgement on the effectiveness of its programmes.

26. In the WHO Regional Office for the Western Pacific, the auditors examined the application of the monitoring and evaluation procedures of seven programmes partly funded by UNDP. The auditors found that project objectives were not always fully defined. They indicated that the monitoring process was hampered by shortcomings, such as failure to establish milestones during the execution of the programme or project. The auditors noted that the WHO administration had agreed to consider seeking improved definitions of objectives and targets for WHO's Eighth General Programme of Work for the period 1990-1995. In this regard, the UNDP administration followed up with WHO and was advised that a monitoring system was established for the medium-term programmes and that the definition of objectives and targets for WHO's Eighth General Programme of Work had been improved.

27. The auditors concluded that WHO had taken steps to introduce satisfactory procedures for the monitoring and evaluation of programmes but that standards of

compliance and documentation varied. They noted, however, that the WHO regional offices supplied satisfactory explanations for the shortcomings noted by the auditors and that WHO was continuing to develop and improve their system. The UNDP administration will give careful consideration to the auditors' comments in consulting with WHO on future evaluation procedures.

#### V. INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (WORLD BANK)

28. As part of their examination of UNDP-financed activities of the World Bank, the external auditors reported that they had reviewed 15 projects. The projects selected for review were chosen from each of the World Bank's six regions and the Global-Interregional Section. One of the main objectives of the review was to determine whether the World Bank's procurement procedures were properly adhered to.

29. The auditors noted that, except for one project, the procurement procedures were in accordance with the World Bank's guidelines. With regard to that project the auditors reported that experts were fielded without approval of the country involved. In that connection, the Administrator notes that long delays were encountered in obtaining Government approval for some of the experts, and some experts may well have arrived before "official" clearance was received. UNDP will continue to remind recipient Governments of the need for expeditious clearance of experts proposed to assist in project implementation.

30. The scope of audit work conducted by the auditors did not encompass visits to project sites to review UNDP-financed projects. At the request of UNDP's administration, the auditors have submitted a proposal to expand the scope of future audit work to include field visits. Such reviews would include visits to one of the six World Bank regions each year to assess the effectiveness of project implementation and controls for three to five of the larger UNDP-financed projects in that region. The UNDP administration through the World Bank has accepted the auditors' proposal for the expanded scope of audit work.

#### VI. INTERNATIONAL TELECOMMUNICATION UNION

31. The external auditors of the International Telecommunication Union (ITU) reported that two projects were examined in the Africa region. One of them was a regional project that concerned the establishment of a telecommunication network affecting 45 countries, whereas the other project was a completed national project for a telecommunication institute.

32. In connection with the regional project, the auditors indicated that, owing to the nature of the project and the broad manner in which its objectives were defined, it was not possible to assess the project's effectiveness or the extent to which its objectives were achieved. However, the auditors noted that that did not constitute a negative evaluation. They observed that the project co-ordinator and experts made significant contributions to the project. The UNDP administration would note that the next phase of the regional project has been redesigned and the



project objectives have been redefined to ensure that they are both measurable and achievable.

33. The auditors raised two points which, in their opinion, should be considered vis-à-vis the future financing of the project: the first being the determination of the location of experts' duty stations, and the second being the need, in the long term, for some suitable organization to take over the tasks of co-ordinating and providing technical and operational assistance. With regard to the first point the Administrator would note that the next phase of the project will be implemented as three subregional projects. One of them will include west Africa, another will include central Africa and the third will include both east Africa and southern Africa. The division of the project into three subregional projects should facilitate co-ordination and related travel. Concerning the second point, at a later stage UNDP plans to evaluate the long-term managerial goals of the project and may consider assigning the co-ordinating role to the regional authorities involved in the projects.

34. With regard to the completed national project for a telecommunication institute, the auditors reported that their overall assessment of the project was broadly positive. However, they remarked that due to problems encountered during implementation of the project its effectiveness was somewhat compromised. They noted in particular that equipment of the audio-visual laboratory was not in use because of a lack of qualified staff. The UNDP administration is following up with the Government of the country concerned regarding the availability of qualified staff to operate the equipment. If advisable UNDP will consider transfer of the equipment to another project in which it can be effectively used.

#### VII. ASIAN DEVELOPMENT BANK

35. The external auditors reported that, as a result of their examination, there was no cause to believe that projects executed by the Asian Development Bank (AsDB) were not being monitored. They also reported that the Bank appeared to be taking appropriate follow-up action on problems identified in progress reports. The Administrator has noted that AsDB implemented all major recommendations that concerned improvements in efficiency and effectiveness in the execution of UNDP-financed projects.

#### VIII. UNITED NATIONS

36. In the course of its audit of accounts of the United Nations the United Nations Board of Auditors examined technical co-operation activities carried out by the Department of Technical Co-operation for Development (DTCD) of the United Nations Secretariat, UNIDO and UNCTAD. The Board's findings and comments are reflected in paragraphs 162 to 178 of its report for the biennium ended 31 December 1985. 6/

37. With regard to DTCD the auditors noted that, although the administration had made efforts towards improvements, certain operational problems, such as

Governments' failure to provide inputs and delays in nominating fellows, still hindered efficient and effective project implementation and monitoring. The Secretary-General in his response 7/ explained that solutions to such problems as the ones previously mentioned lay very largely beyond the Department's control; and that the appropriate authorities were reminded constantly, through UNDP resident representatives, to expedite matters. The UNDP administration is well aware of the problems and will continue its efforts with recipient Governments in seeking more timely fulfilment of its obligations.

38. With regard to UNIDO, the auditors outlined certain factors which caused delays in implementation of technical assistance projects. Some of them pertain to difficulties in recruitment of experts, and delays in payment, or non-payment, of Government contributions to project budgets. In the light of constraints of those factors, the auditors recommended, and the United Nations administration agreed to the need for, more realistic planning of project activities to ensure that, as much as possible, project implementation would be in line with project plans.

39. The auditors found that there was a lack of independent evaluation for technical assistance projects in the form of workshops, training courses and seminars. Notwithstanding the remark of the United Nations administration that these projects were difficult to evaluate, the auditors recommended that the United Nations administration itself should develop procedures for appraising such projects. In his response the Secretary-General explained that the problems pointed out by the auditors were indeed recognized by UNIDO and that there were usually inherent difficulties. For instance, some technical co-operation projects in the industry sector often involved the recruitment of highly specialized experts who were not readily available. He also stated that UNIDO was continuing its efforts to implement system and procedural improvements that would enhance the efficiency and effectiveness of delivery of technical assistance.

40. In their examination of the project accounts of UNCTAD, the auditors commented on the significant amounts of unliquidated obligations recorded in respect of estimated expenditures of associated agencies. In this regard the auditors recommended that UNCTAD should develop and implement procedures that would enable it to reflect actual expenditures in its UNDP accounts. With regard to the auditors' comments on outstanding obligations, UNCTAD advised the UNDP administration that improved procedures had been implemented which would result in a more efficient recording of associated agencies' expenditure in their UNDP account.

#### IX. UNITED NATIONS DEVELOPMENT PROGRAMME

41. As indicated in paragraph 6 above, copies of the UNDP audited financial statements and audit report for the year ended 31 December 1985 1/ and of the report of the Advisory Committee on Administrative and Budgetary Questions thereon (A/41/632) will be made available at the thirty-fourth session of the Governing Council to assist its members in their review of these matters, as required under paragraphs 10 and 11 of General Assembly resolution 41/176.

42. With regard to the comments made in the Fifth Committee, these are reflected in the summary records of the meetings concerned (A/C.5/41/SR.3-8 and 27). However, since the Fifth Committee debate dealt with all organizations subject to audit by the United Nations Board of Auditors and since the number of comments relating specifically to UNDP were relatively few, the following summary of the main points made by delegations in respect of UNDP is provided:

(a) Programme implementation and the accumulation of financial reserves

In view of the fact that in 1985 the decline in programme delivery had been reversed, concern was expressed that expenditures still had not reached targeted levels in all categories and this had resulted in the accumulation of very high levels of financial reserves. In response to these concerns, the Associate Administrator explained to the Fifth Committee (see A/C.5/41/SR.7) the composition of the unutilized resources reported as available to UNDP, distinguishing between those held on behalf of (i) trust funds administered by UNDP; (ii) fully-funded reserves established by the Governing Council; (iii) cost-sharing and other special funds; and (iv) the balance available for UNDP's main programmes. A more detailed discussion of these issues, based on 1986 data, is presented in the report of the Administrator entitled "Annual review of the financial situation, 1986 (DP/1987/54);"

(b) Rental subsidy and deduction scheme

Several delegations commented on the 32 cases of amounts owed by UNDP staff members in respect of rental deductions, which totalled \$208,186 as at 31 December 1985. In response, the Associate Administrator informed the Committee that, with the exception of amounts totalling \$34,518 owed by former staff members for which recovery and/or legal action was being pursued, all other outstanding amounts had either been recovered or were being recovered. Meanwhile, a system of automatic payroll deduction has been introduced which, as from 1 January 1987, is in effect for all duty stations.

(c) Travel

In response to a question raised by one delegation concerning lack of information on the justification for travel (para. 32 of the audit report 8/), the Associate Administrator referred to the action already taken on the matter as indicated in paragraph 34 of the report and advised the Committee that the UNDP administration was very much concerned about problems relating to travel, and intended to introduce more stringent procedures for its control. A description of the main features of the revised circular on travel which has since been issued (UNDP/ADM/HQTRS/737), is provided in paragraph 46.

43. Additional information regarding follow-up action taken by the Administrator in respect of two subjects referred to in the report of the Board of Auditors, namely, project identification, design and formulation 9/ and travel, 10/ is provided below.

Project identification, design and formulation

44. The auditors noted that delays in project implementation were caused, at least partially, by shortcomings relating to identification, design and formulation at the initial stage of the project. Some of the measures undertaken by UNDP to alleviate these shortcomings are as follows:

(a) The establishment of a Project Development Facility (PDF), which is intended to reinforce UNDP's technical capacity in project identification, formulation and appraisal;

(b) The establishment of a Programme Review Committee, whose main purpose is to ensure satisfactory observance of qualitative standards and of established programme policies and procedures relating to UNDP programmes;

(c) The establishment of project appraisal committees in the regional bureaux. The main purpose of these committees is to conduct a thorough scrutiny of various aspects of proposed projects, such as the economic benefits and financial implications.

The Administrator would like to draw the Council's attention to the report entitled "Review of programme and project activities" (DP/1987/16), which contains a comprehensive report regarding the measures taken by UNDP to improve programme and project quality.

Travel

45. The auditors reviewed the cost-effectiveness of travel activities undertaken by UNDP and stated that their review was, to a great extent, hampered by lack of information on the justification for travel. In this regard, and with reference to paragraph 89 of the report of the Joint Inspection Unit entitled "Organization and methods for official travel" (A/37/357), they recommended that full justification for the purpose and duration of each trip should be provided and that this justification should be reviewed by department heads. In connection with this recommendation the UNDP administration issued a circular dated 15 April 1986 (UNDP/ADM/HQTRS/714) outlining procedures for documenting justification for travel. As a follow-up to this circular, the Administrator requested that a major review of all travel-related matters in UNDP be conducted; as a result of this review, a comprehensive new circular outlining policies and procedures relating to travel in UNDP (UNDP/ADM/HQTRS/737) was approved and issued on 12 November 1986.

46. The main features of the revised policies and procedures are as follows:

(a) The principles that have been established in the interest of maintaining a cost-effective operation with UNDP should continue to be applied when travel activities are planned and approved. For instance, one of the requirements of these principles is that the travel does not consist of simple liaison and general inspection but will lead to concrete results, such as settlement of specific questions with an agency;

(b) All bureaux and independent units within UNDP will prepare and submit, within clearly specified time-limits, annual and quarterly travel plans to the Administrator's office;

(c) The Assistant Administrator or Director of the unit concerned will certify that there are budgetary provisions to cover the cost of the planned travel, and that the requirements of the principles, such as the one mentioned in subparagraph (a) above, are scrupulously followed;

(d) Travel authorizations must provide information in sufficient detail for the entire trip to be justified;

(e) Travel authorizations must reach the Travel Services Section within clearly defined time-limits to ensure that travel arrangements are made in a timely and cost-effective manner.

#### Notes

1/ Official Records of the General Assembly, Forty-first Session, Supplement No. 5A (A/41/5/Add.1 and Corr.1).

2/ Official Records of the Economic and Social Council, 1986, Supplement No. 9 (E/1986/29), annex I.

3/ Ibid., 1985, Supplement No. 11 (E/1985/32), annex I.

4/ Ibid., Sixty-third Session, Supplement No. 3 (E/5940), chap. III.

5/ Ibid., Fifty-ninth Session, Supplement No. 2A (E/5703/Rev.1), chap. II, para. 54; and DP/114, para. 32.

6/ See Official Records of the General Assembly, Forty-first Session, Supplement No. 5 (A/41/5), vol. I, sect. II.

7/ Ibid., sect. III, para. 60.

8/ Ibid. Supplement No. 5A (A/41/5/Add.1 and Corr.1), sect. II.

9/ Ibid., paras. 46-51.

10/ Ibid., paras. 32-36.

Annex

LETTER DATED 3 MARCH 1987 FROM THE CHAIRMAN OF THE PANEL OF  
EXTERNAL AUDITORS OF THE UNITED NATIONS, THE SPECIALIZED  
AGENCIES AND THE INTERNATIONAL ATOMIC ENERGY AGENCY  
ADDRESSED TO THE ADMINISTRATOR OF THE UNITED NATIONS  
DEVELOPMENT PROGRAMME

AUDITOR GENERAL OF CANADA

VERIFICATEUR GENERAL DU CANADA  
240 Sparks Street  
Ottawa, Canada  
K1A 0G6

Mr. William H. Draper III, Administrator  
United Nations Development Programme  
One United Nations Plaza  
New York, N.Y. 10017

Dear Mr. Draper,

I am writing to you in my capacity as Chairman of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency to let you know that the Panel at its last session in November 1986 considered a decision by the Governing Council of the United Nations Development Programme of June 1986 a/ requesting the Administrator to bring the decision, and the views expressed by the Budgetary and Finance Committee in the course of its discussions on the subject of the decision, to the attention of the Panel, and to continue his efforts, in consultation with the Panel, to ensure that long-form narrative audit reports are submitted in respect of every executing agency which carries out a significant volume of UNDP-financed activities. The Panel had considered similar requests at its regular sessions in 1984 and 1985 and its conclusions were communicated to UNDP in due course.

I would wish to summarize at this time the Panel's position in this regard and I would be grateful if you could transmit this letter to the Governing Council prior to its June session this year.

The Panel is aware that while some members issue long-form reports in connection with UNDP-financed activities executed by United Nations organizations, others do not, mainly because of size of the accounts being audited and the amount of expenditures are not large enough for the auditors to produce a long-form report; however, in such cases, any comments in connection with the audit of those accounts form part of the main audit report of the organizations reported on. The Panel feels that the extent of an auditor's report is the sole judgement of the auditor and that there are cases where there is no need for a long-form report if the circumstances so indicate.

The Panel is also aware that in one case of an executing agency, no separate long-form report has been prepared following the wishes of that agency's assembly. The Panel feels that in such cases, the request by the Governing Council should be addressed to the agency itself rather than to the external auditor.

Cordially yours,

(Signed) Kenneth M. DYE, F.C.A.  
Chairman, Panel of External Auditors

Notes

a/ Decision 86/48.

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