ADOPTION OF THE REPORT OF THE BUDGETARY AND FINANCE COMMITTEE
TO THE GOVERNING COUNCIL

Draft report of the Budgetary and Finance Committee

Rapporteur: Mr. K. Tenkorang (Ghana)

Addendum

ANNEX

CHAPTER IV. FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

E. Audit reports

1. Following its consideration of this item, the Budgetary and Finance Committee recommended that the Council adopt the following decision:

   The Governing Council,

   Having considered documents DP/1988/5 and Add.1 containing the audited financial statements and audit reports of executing agencies for the year ending 31 December 1986, the reports of the external auditors thereon, the comments of the Administration on substantive observations made by the external auditors and a description of the action taken by the Administration in response to decision 87/47 of June 1987 of the Governing Council,
Having also considered the audited financial statements of the UNDP for the year ending 31 December 1986, and the report of the United Nations Board of Auditors thereon, contained in General Assembly document A/42/5/Add.1, as well as the views of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) contained in document A/42/579,

Taking into account General Assembly resolution 42/206,

Also taking into account the views and comments of the members of the Council on these matters, as well as the views of the executing agencies, as communicated by the UNDP Administration, on issues directly related to them,

1. Expresses its appreciation for the valuable work performed by the Board of Auditors and for the thoroughness and wide scope of their audit report;

2. Notes with concern that the audit opinion of the Board of Auditors on the 1986 accounts of the UNDP was qualified on several counts;

3. Notes with satisfaction that the Administrator has taken, or is taking, the necessary steps within his competence to correct the situations or conditions that gave rise to the qualification of the audit opinion, as required by General Assembly resolution 42/206;

4. Recognizes that, in spite of the Administrator's efforts, the audit opinion on the accounts of the UNDP may remain qualified so long as annual audited accounts in respect of its executing agencies have not been received by the Board of Auditors at the time the Board issues its opinion on UNDP accounts;

5. Requests the Administrator to bring the problem referred to in paragraph 4 above to the attention of the Panel of External Auditors for consideration at its next session, in particular that of obtaining annual audit certification of UNDP-financed activities for those organizations which presently require audited accounts on a biennial basis;

6. Suggests that the ECOSOC invite the governing bodies of the above-mentioned organizations to consider the provision to the UNDP of annual audited accounts of UNDP-funded activities, as requested by the Board of Auditors in their report, contained in document A/42/5/Add.1;

7. Welcomes the proposals made by the Administrator concerning the management and administration of the audit process in connection with Government-executed projects;
8. **Considers** that the existing procedures established by the UNDP for the recording of unliquidated obligations should continue to be applied pending the findings of the examination of the Panel of External Auditors of these procedures;

9. **Welcomes** the measures taken by the Administrator to provide fuller disclosure in the UNDP financial statements of over-expenditure on projects funded from cost-sharing and Government cash counterpart contributions, in response to the comments made by the external auditors accepting that, for the time being, the present basis of recording income and expenditure for those contributions, and for trust funds, should continue, pending consideration of this matter by the Panel of External Auditors;

10. **Considers** that its decision 85/16 of 29 June 1985 whilst representing an exception to the formula established by decision 80/50 of 30 June 1980 was not in contradiction to the principles established by decision 80/50;

11. **Reaffirms** the purposes for which funds held in the operational reserve may be used, as defined in decision 80/50;

12. **Takes note** that a comparison of actual expenditure against appropriation estimates by major category of expenditure will, for 1987, be provided in a schedule contained in the annual audited financial statements of the UNDP and made available to the Governing Council;

13. **Decides**, in view of this, to retain for the time being, a single appropriation line for UNDP core activities;

14. **Requests** the Administrator to consider having the budget decision presented in more appropriation lines and to report on this matter to the Council at its thirty-sixth session (1989);

15. **Takes note** of the other recommendations and observations of the Board of Auditors, including in particular those relating to budgetary trends and programme and project management, and of the comments made and action taken by the UNDP Administration on these matters.