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FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

Audit reports

Note by the Administrator

Summary

The present note summarizes significant observations of the external auditors of the executing agencies on their 1988 accounts relating to funds allocated to them by the United Nations Development Programme. Document DP/1990/69/Add.1 contains the audited accounts and audit reports of the executing agencies as at 31 December 1988.

## INTRODUCTION

1. The external audit reports and audited accounts of executing agencies relating to funds allocated to them by the United Nations Development Programme (UNDP) as at 31 December 1988, submitted in accordance with regulation 17.1 of the UNDP Financial Regulations, are contained in the addendum to the present document (DP/1990/69/Add.1), together with a summary of the status of funds submitted by all executing agencies as at 31 December 1988. Sections II to XII of the present document contain the Administrator's comments on significant observations made in the audit reports of those agencies. It should be noted that since 1988 was the first year of the biennial period used by the United Nations system, the audit reports being presented this year do not include reports in respect of those organizations which, under their own financial regulations, submit audited financial statements only at the end of each biennium.

### II. UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

2. The external auditors expressed an unqualified opinion on the financial statement.

### III. INTERNATIONAL CIVIL AVIATION ORGANIZATION

3. The external auditors stated that their review did not disclose any weaknesses in the internal controls or any other reportable conditions which would have resulted in a qualified opinion of the financial statement.

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

4. The external auditors reported that the financial statements represented fairly in all material respects the status of funds and expenditures of the Bank as executing agency for certain United Nations Development Programme projects. Although the financial statements were not qualified, there were certain operational issues that were noted by the auditors that required follow-up action by the Bank. The Administrator is pleased to note that the management has taken action to remedy the weaknesses in internal controls.

5. The following were the most notable of the issues reported by the auditors:

(a) The existing policies governing the accounting for project accruals and monitoring of project financial performance were not being followed. The Bank Disbursements Officers have now issued guidelines and procedures for the 1989 year-end accruals and have held several workshops with the Disbursement Assistants to discuss these guidelines.

(b) Several errors were noted in the reconciliation of the General Ledger Fund balance with the UNDP Operating Fund Statement that required adjustments to the 1988 financial statements. The auditors recommended that the management review current procedures in connection with the reconciliation of the General Ledger Fund balance to the Operating Fund Services in order to produce timely, accurate and thorough reconciliations. The bank has subsequently created a separate accounting unit that is responsible for recording the transactions in the UNDP Operating Fund and reconciliations are now being done on a monthly basis.

#### V. UNIVERSAL POSTAL UNION

6. The external auditors of the Universal Postal Union (UPU) issued an unqualified opinion of the financial statement at 31 December 1988. The Administrator is pleased to note that the difference of \$501,370 between the opening balance in the accounting records of UPU at 1 January 1988 and the closing balance on the UNDP final Operating Fund Statement 88-10 has subsequently been reconciled and resolved between UNDP and UPU.

#### VI. INTERNATIONAL TELECOMMUNICATION UNION

7. The external auditors of the International Telecommunication Union issued an unqualified opinion on the financial statement. They also reported that as part of their review, they examined the available documentation for selected projects financed by UNDP. The principal objective of their review was to assess the development and implementation of the projects, with particular reference to the financial, staff and inventory aspects.

8. In summary, the external auditors found that (a) projects were implemented in accordance with UNDP guidelines and (b) the accounting records were properly maintained and that accounting entries were in agreement with the supporting documentation.

#### VII. INTERNATIONAL MARITIME ORGANIZATION

9. The external auditors conducted a review of the accounting procedures and tests of the accounting records and were satisfied with the results of their tests. There were no weaknesses in the internal controls, or any other reportable conditions which would have resulted in a qualified audit opinion.

#### VIII. WORLD INTELLECTUAL PROPERTY ORGANIZATION

10. The external auditors reported that the financial statement was accurate and that the accounting records agreed with the supporting documentation. The auditors were therefore in a position to issue an unqualified opinion.

IX. INTERNATIONAL ATOMIC ENERGY AGENCY

11. The external auditors certified the financial statement and supporting schedules as correct and issued an unqualified opinion.

X. WORLD TOURISM ORGANIZATION

12. The external auditors reported that the financial statement was accurate and that the accounting records agreed with the supporting documentation. The auditors were therefore in a position to issue an unqualified opinion.

XI. AFRICAN DEVELOPMENT BANK

13. The external auditors stated that in their opinion the financial statement presented fairly the financial position of the project executed by the Bank at 31 December 1988 and the results of their operations for the year then ended.

XII. ASIAN DEVELOPMENT BANK

14. The external auditors issued an unqualified opinion on the financial statement at 31 December 1988 of the project that is executed by the Bank. The following is a summary of their observations and conclusions:

(a) UNDP-financed projects assigned to the Asian Development Bank as an executing agency were administered on a regular and timely basis;

(b) The Bank takes appropriate follow-up action, to the extent practicable, on problems identified in consultants' progress reports;

(c) The Bank complies with its established procurement procedures in relation to the hiring of consultants;

(d) No material weaknesses were identified in the system of internal accounting control.

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