The present note summarizes significant observations of external auditors of the executing agencies on their 1990 accounts relating to funds allocated to them by UNDP. Pursuant to Governing Council decision 91/47 of 21 June 1991 the Administrator has included comments on corrective action taken in response to observations made by the external auditors. Document DP/1992/42/Add.1 contains the audited accounts and audit reports of the executing agencies as at 31 December 1990.
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 1990, submitted in accordance with regulation 17.1 of the UNDP Financial Regulations, are contained in the addendum to the present document (DP/1992/42/Add.1), together with a summary of the audited status of funds submitted by all executing agencies as at 31 December 1990. Sections I to XIV 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 as 1990 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.

I. UNITED NATIONS DEVELOPMENT PROGRAMME

2. The Administrator's comments concerning the report of the United Nations Board of Auditors are contained in DP/1992/41.

II. UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

3. As of 1 January 1990, the agency will submit audited financial statements on a biennial basis. Audited financial statements will be due for the biennium ended 31 December 1991.

III. INTERNATIONAL CIVIL AVIATION ORGANIZATION

4. The external auditors issued an unqualified opinion on the financial statements as at 31 December 1990 and made no further observations. The long form report referred to in the auditors' report on page 7 of DP/1992/42/Add.1 was not provided by the agency.

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

5. The external auditors issued an unqualified opinion on the financial statements as at 31 December 1990 and made no further observations.

V. INTERNATIONAL FINANCE CORPORATION

6. The external auditors issued an unqualified opinion on the financial statements as at 31 December 1990 and made no further observations.
VI. INTERNATIONAL MONETARY FUND

7. The external auditors issued an unqualified opinion on the financial statements as at 31 December 1990 and made no further observations.

VII. UNIVERSAL POSTAL UNION

8. The external auditors issued an unqualified opinion on the financial statements as at 31 December 1990. 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 Universal Postal Union (UPU). The Administrator is pleased to note that UPU has taken action to remedy the weaknesses in internal controls.

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

(a) Book-keeping. The books of account were not always updated. In particular, arrears were noted in the management of cash accounts. In addition, transactions recorded in the balance sheet at 31 December 1989 in respect of "Advances on mission costs", "Accounts receivable" and "Accounts payable", were still outstanding at the date of the audit. The Administrator is pleased to note that:

(i) Steps have been taken by the Universal Postal Union to remedy the "arrears of cash accounts" (which refers to the balances of the two bank accounts in overdraft at 31 December 1990);

(ii) Efforts are being made by UPU to clear the long outstanding balances in accounts receivable and accounts payable;

(b) Operating Fund. The auditors stated that they were unable to determine whether the balance of the UNDP Operating Fund statement as at 31 December 1990 agreed with the balance of the status of funds at that date prepared by UPU. The difference between UPU and UNDP accounting records is largely due to timing differences in the processing of charges. The Administrator is pleased to inform the Governing Council that the difference has subsequently been fully reconciled in 1991 and the necessary accounting entries recorded by both parties;

(c) Sectoral support allocation. Certain reports of missions funded by this allocation, were not yet available. Furthermore, the completed reports on other missions had not been submitted to UNDP. The Administrator is pleased to note that all outstanding reports of these missions have now been submitted to the appropriate Resident Representatives.
VIII. INTERNATIONAL TELECOMMUNICATION UNION

10. The external auditors issued an unqualified opinion on the financial statements as at 31 December 1990. 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 International Telecommunication Union (ITU). The Administrator is pleased to note that these issues have been satisfactorily addressed.

11. The following issues were mentioned by the auditors:

(a) Allocations for indicative planning figures, Special Programme Resources, least developed countries and government cash counterpart contributions. The auditors noted that the allocations prepared by UNDP for seven projects did not agree with those recorded by ITU on the "Statement of unspent allocations", which is part of the UNDP financial reporting requirements. The auditors requested ITU to resolve these differences. The Administrator hereby informs the Governing Council that UNDP has confirmed these allocations with ITU and that the differences were reconciled during 1991;

(b) The auditors noted that there was a difference of $1,790.00 between the status of funds at 31 December 1990 prepared by ITU and the UNDP final Operating Fund statement OFS 90-12. The difference was in respect of support costs for government cash counterpart contributions that was incorrectly recorded by UNDP as project expenditure for project BRA/87/003. The Administrator is pleased to inform the Governing Council that the appropriate adjustment was made by UNDP in 1991.

IX. INTERNATIONAL MARITIME ORGANIZATION

12. The external auditors issued an unqualified opinion on the financial statements as at 31 December 1990 and made no further observations.

X. WORLD INTELLECTUAL PROPERTY ORGANIZATION

13. The external auditors issued an unqualified opinion on the financial statements as at 31 December 1990 and made no further observations.

XI. INTERNATIONAL ATOMIC ENERGY AGENCY

14. The external auditors issued an unqualified opinion on the financial statements as at 31 December 1990 and made no further observations. The long form report referred to in the auditors' report on page 52 of DP/1992/42/Add.1 was not available from the agency.

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XII. WORLD TOURISM ORGANIZATION

15. The external auditors issued an unqualified opinion on the financial statements as at 31 December 1990 and made no further observations.

XIII. AFRICAN DEVELOPMENT BANK

16. The external auditors issued an unqualified opinion on the financial statements as at 31 December 1990 and made no further observations.

XIV. ASIAN DEVELOPMENT BANK

17. The external auditors issued an unqualified opinion on the financial statements as at 31 December 1990 and made no further observations.