



United Nations

Financial report and audited financial statements

**for the biennium ended 31 December 2001
and**

Report of the Board of Auditors

**Volume I
United Nations**

**General Assembly
Official Records
Fifty-seventh Session
Supplement No. 5 (A/57/5)**

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Volume I
United Nations



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Note

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Abbreviations

BONUCA	United Nations Peace-Building Support Office in the Central African Republic
DESA	Department of Economic and Social Affairs
DHA	Department of Humanitarian Affairs
DPKO	Department of Peacekeeping Operations
ECA	Economic Commission for Africa
ECE	Economic Commission for Europe
ECLAC	Economic Commission for Latin America and the Caribbean
ECOMOG	Economic Community of West African States Monitoring Group
eDRITS	electronic Documents Registration Information and Tracking System
ESCAP	Economic and Social Commission for Asia and the Pacific
ESCWA	Economic and Social Commission for Western Asia
FAO	Food and Agriculture Organization of the United Nations
GAINS	Gender Awareness Information and Networking System
IAEA	International Atomic Energy Agency
ICSC	International Civil Service Commission
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
IMDIS	Integrated Monitoring and Documentation Information System
IMIS	Integrated Management Information System
INSTRAW	United Nations International Research and Training Institute for the Advancement of Women
IOM	International Organization for Migration
ITC	International Trade Centre UNCTAD/WTO
MICIVIH	United Nations International Civilian Mission in Haiti
MINUGUA	United Nations Verification Mission in Guatemala
MINURCA	United Nations Mission in the Central African Republic
MISAB	Inter-African Mission to Monitor the Implementation of the Bangui Agreements

ODCCP	Office for Drug Control and Crime Prevention
OHCHR	Office of the United Nations High Commissioner for Human Rights
ONUC	United Nations Operation in the Congo
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCHS	United Nations Centre for Human Settlements (Habitat)
UNCITRAL	United Nations Commission on International Trade Law
UNCTAD	United Nations Conference on Trade and Development
UNDCP	United Nations International Drug Control Programme
UNDOF	United Nations Disengagement Observer Force
UNDP	United Nations Development Programme
UNEF	United Nations Emergency Force
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFIP	United Nations Fund for International Partnerships
UNFPA	United Nations Population Fund
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNICRI	United Nations Interregional Crime and Justice Research Institute
UNIDIR	United Nations Institute for Disarmament Research
UNIDO	United Nations Industrial Development Organization
UNIFEM	United Nations Development Fund for Women
UNITAR	United Nations Institute for Training and Research
UNJSPF	United Nations Joint Staff Pension Fund
UNAMET	United Nations Mission in East Timor
UNMAS	United Nations Mine Action Service
UNMIK	United Nations Interim Administration Mission in Kosovo
UNMOGIP	United Nations Military Observer Group in India and Pakistan
UNMOVIC	United Nations Monitoring, Verification and Inspection Commission
UNOA	United Nations Office in Angola
UNOG	United Nations Office at Geneva
UNOGBIS	United Nations Peace-building Support Office in Guinea-Bissau
UNON	United Nations Office at Nairobi
UNOPS	United Nations Office for Project Services

UNPA	United Nations Postal Administration
UNPROFOR	United Nations Protection Force
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UNSCO	United Nations Special Coordinator in the Occupied Territories
UNSMIH	United Nations Support Mission in Haiti
UNSMIA	United Nations Special Mission to Afghanistan
UNTAG	United Nations Transition Assistance Group
UNTMIH	United Nations Transition Mission in Haiti
UNTOP	United Nations Tajikistan Office of Peace-building
UNTSO	United Nations Truce Supervision Organization
WFP	World Food Programme
WHO	World Health Organization
WTO	World Trade Organization

Letters of transmittal

28 March 2002

In accordance with financial regulation 11.4, I have the honour to submit the accounts of the United Nations for the biennium 2000-2001, which I hereby approve. The financial statements were drawn up and certified as correct by the Controller.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(Signed) **Kofi A. Annan**

Mr. Shauket A. Fakie
Chairman
United Nations Board of Auditors
New York

27 June 2002

I have the honour to transmit to you the financial statements of the United Nations for the biennium 2000-2001 ended 31 December 2001, which were submitted by the Secretary-General. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts.

(Signed) **Shauket A. Fakie**
Auditor-General of the Republic of South Africa
and Chairman
United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York

Chapter I

Financial report for the biennium ended 31 December 2001

A. Introduction

1. The Secretary-General has the honour to submit his financial report on the accounts of the United Nations for the biennium 2000-2001 ended 31 December 2001. The financial results reported relate to activities of the United Nations other than those of peacekeeping operations, the United Nations escrow account established under the provisions of Security Council resolution 986 (1995), the International Tribunal for the Former Yugoslavia and the International Tribunal for Rwanda, which are reported separately.

2. The accounts, consisting of 26 statements supported by schedules and notes, provide financial information relating to the United Nations General Fund, the Working Capital Fund, the Special Account, jointly financed activities, technical cooperation activities, general trust funds and other special-purpose funds. In the interest of reducing the length of reports, financial statements for each United Nations trust fund have not been included in the published accounts; instead, a consolidated financial position is presented. A supplementary volume containing all trust fund statements will be provided to the Advisory Committee on Administrative and Budgetary Questions and the Board of Auditors.

3. The present financial report is designed to be read in conjunction with the financial statements, but can also be considered alone. It presents an overview of the consolidated results and an analysis of the financial statements by major category, highlighting important trends and significant changes. The annex to the report provides technical information, as well as information required by the Financial Regulations and Rules to be reported to the General Assembly.

4. The financial report, the audited financial statements and the report of the Board of Auditors, along with the associated report of the Advisory Committee on Administrative and Budgetary Questions, will be submitted to the General Assembly at its fifty-seventh session.

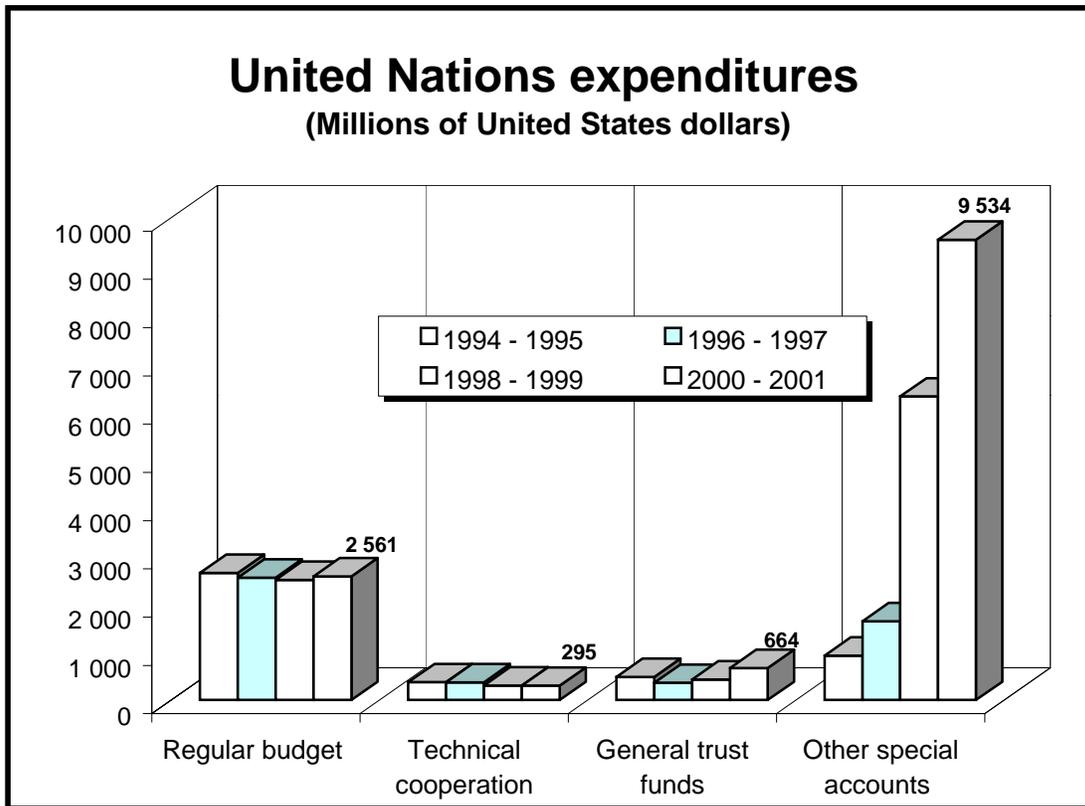
B. Overview

5. Statements I, II and III of the accounts summarize the consolidated results of United Nations activities other than the peacekeeping activities, the United Nations escrow account, the International Tribunal for the Former Yugoslavia and the International Tribunal for Rwanda. Statement I presents income by major categories and a total of expenditures incurred during the biennium 2000-2001. Statement II shows a summary of assets, liabilities, reserves and fund balances as at 31 December 2001. Statement III summarizes the Organization's net cash flows for the period.

6. The expenditures for the biennium 2000-2001 show an increase of 2.9 per cent for the United Nations regular budget and a reduction of 1.5 per cent for technical cooperation activities compared with 1998-1999. Expenditures for general trust funds increased by 56.3 per cent, owing largely to an increase in spending for the United Nations Fund for International Partnerships. Expenditures for other special funds increased by 51.6 per cent, due mainly to the increase of 58.2 per cent in

compensation awards by the United Nations Compensation Commission from the proceeds of the sale of Iraqi oil pursuant to Security Council resolution 986 (1995). Figure I.1 provides a graphic comparison of the overall expenditures for the funds covered in this report for the past four bienniums.

Figure I.1



7. Table I.1 shows the expenditures for the four categories of United Nations activity as a percentage of total expenditures for the past four bienniums.

Table I.1
Expenditures by category and biennium (percentage)

<i>Category of expenditures</i>	<i>Biennium</i>			
	<i>1994-1995</i>	<i>1996-1997</i>	<i>1998-1999</i>	<i>2000-2001</i>
Regular budget	59.9	51.9	26.2	19.6
Technical cooperation	8.4	7.4	3.1	2.3
General trust funds	10.8	7.3	4.5	5.1
Other special accounts ^a	20.9	33.4	66.2	73.0
Total	100.0	100.0	100.0	100.0

^a The continuing increase in the percentage for other special accounts is due to the increase in compensation awards of the United Nations Compensation Commission, which is financed from the sale of Iraqi oil.

8. As at 31 December 2001, unpaid assessed contributions to the regular budget totalled \$250.8 million, representing an increase of \$6.6 million (2.7 per cent) compared with unpaid contributions of \$244.2 million as at 31 December 1999.

9. The failure of Member States to pay their assessed contributions in full and on time has resulted in recurring cash shortages and the inability of the Organization to pay its obligations to Member States and other entities in full. As a result, it continued to be necessary to draw upon the cash reserves of the Working Capital Fund and United Nations Special Account to meet current operating requirements for the regular budget. Figure I.2 illustrates the level of the Organization's obligations, consisting of payments due to various providers of goods and services, and the extent to which those obligations exceeded the amounts of available cash as at the end of the past four bienniums.

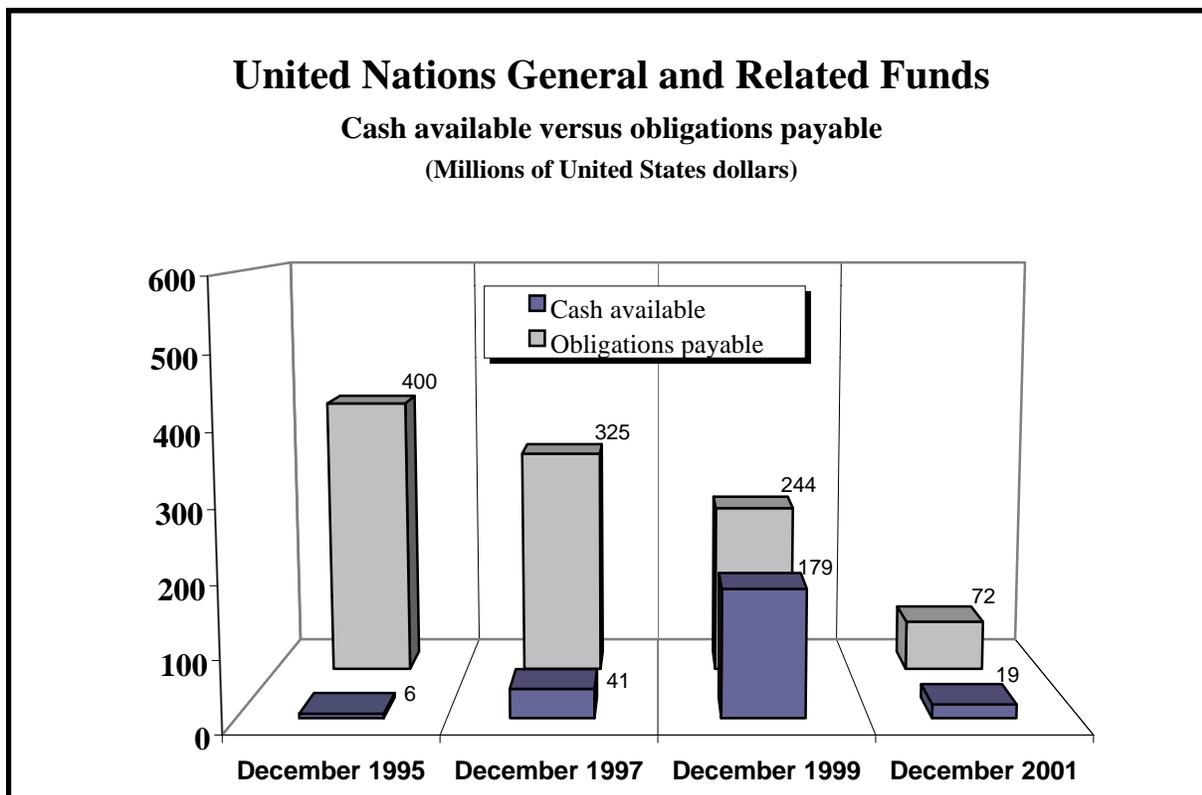


Figure I.2

10. Technical cooperation, trust funds and other United Nations special activities are financed by voluntary funds or other specific sources, and obligations are not normally incurred unless the necessary cash has been received. As a result, these extrabudgetary funds generally do not have obligations in excess of their available cash and investments. However, activities financed through assessment under the regular budget, the peacekeeping budget and the International Tribunal budgets continue to incur such obligations regardless whether all assessed contributions have been received.

C. United Nations General Fund, Working Capital Fund, Special Account and jointly financed activities

11. The United Nations General Fund contains all regular budget income and expenditure, as well as the assets and liabilities of the Organization other than those specifically identified with other funds. Statement IV shows the status of regular budget appropriations. Statement V includes income and expenditure of the General Fund along with its assets, liabilities, reserves and fund balances as at 31 December 2001. Closely related to the General Fund but accounted for separately are the United Nations Working Capital Fund, the United Nations Special Account and the United Nations jointly financed activities, the financial results of which are shown in statements VI, VII and VIII.

12. The appropriation for the biennium 2000-2001 totalled \$2,561.2 million. Actual expenditures totalled \$2,560.9 million, representing an increase of 2.9 per cent compared with the total expenditures of \$2,487.8 million for the biennium 1998-1999. Schedule 4.1 shows expenditures by programme and object of expenditure. Tables I.2 and I.3 show expenditures for the past two bienniums by major activity and object of expenditure respectively.

Table I.2
Percentage of total expenditure by major activity

<i>Major activity</i>	<i>Biennium</i>	
	<i>1998-1999</i>	<i>2000-2001</i>
Overall policy-making direction and coordination	19.2	19.2
Political affairs	8.9	9.6
Economic, social and humanitarian affairs	29.2	27.7
International justice and law	2.1	2.2
Public information	5.4	5.5
Common support services	19.9	19.6
Staff assessment cost	12.6	13.1
Capital and special expenditures	2.7	3.1
Total	100.0	100.0

Table I.3
Percentage of total expenditure by object of expenditure

<i>Object of expenditure</i>	<i>Biennium</i>	
	<i>1998-1999</i>	<i>2000-2001</i>
Salaries and common staff costs	77.5	78.6
Travel	2.1	2.3
Contractual services	2.7	2.9
Operating expenses and supplies	9.2	8.3
Acquisitions	3.5	3.2
All other expenses	5.0	4.7
Total	100.0	100.0

13. Schedule 5.2 contains the details of miscellaneous income, which amounted to \$42.5 million for the biennium 2000-2001 and which was \$1.0 million, or 2.3 per cent, lower than the amount budgeted. In comparison with the biennium 1998-1999, total miscellaneous income fell by 15.3 per cent, largely as a result of the significant decline in the net results of revenue-producing activities, as detailed in schedule 5.1.

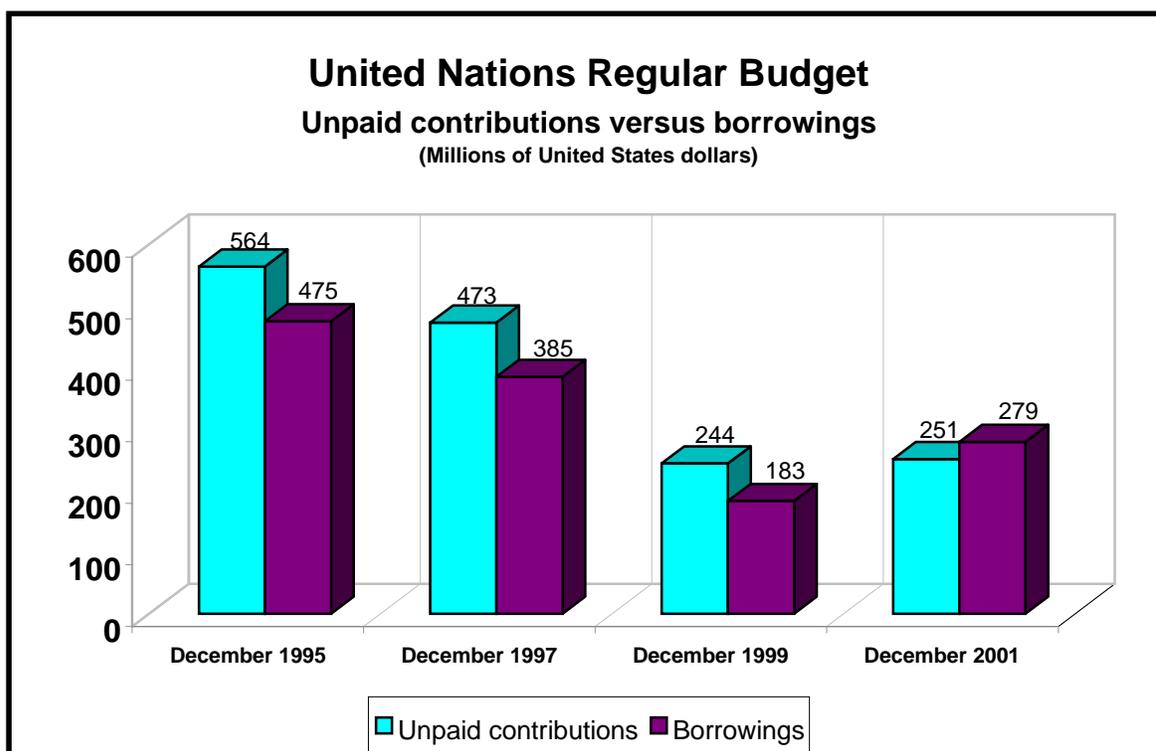
14. As at 31 December 2001, the General Fund's reserves and fund balances amounted to \$62.1 million and comprised an authorized retained surplus of \$68.4 million and a negative cumulative surplus (or deficit) of \$6.3 million. The deficit position resulted from a shortfall in income over expenditure of \$33.1 million,

which was offset partly by savings on or cancellation of prior-period obligations of \$26.8 million.

15. Schedule 5.3 details Member States' unpaid assessed contributions for the regular budget, which totalled \$250.8 million as at 31 December 2001. This was \$6.6 million, or 2.7 per cent, higher than the level of unpaid assessments as at 31 December 1999.

16. The failure of Member States to pay their assessed contributions in full and on time has resulted in recurring cash shortages leading to the need to borrow from other sources in order to partly meet regular budget obligations. The primary sources for borrowings continued to be the United Nations Special Account and the Working Capital Fund, supplemented from time to time by temporary borrowings from peacekeeping operations. The relationship between unpaid contributions and borrowings is illustrated in figure I.3.

Figure I.3



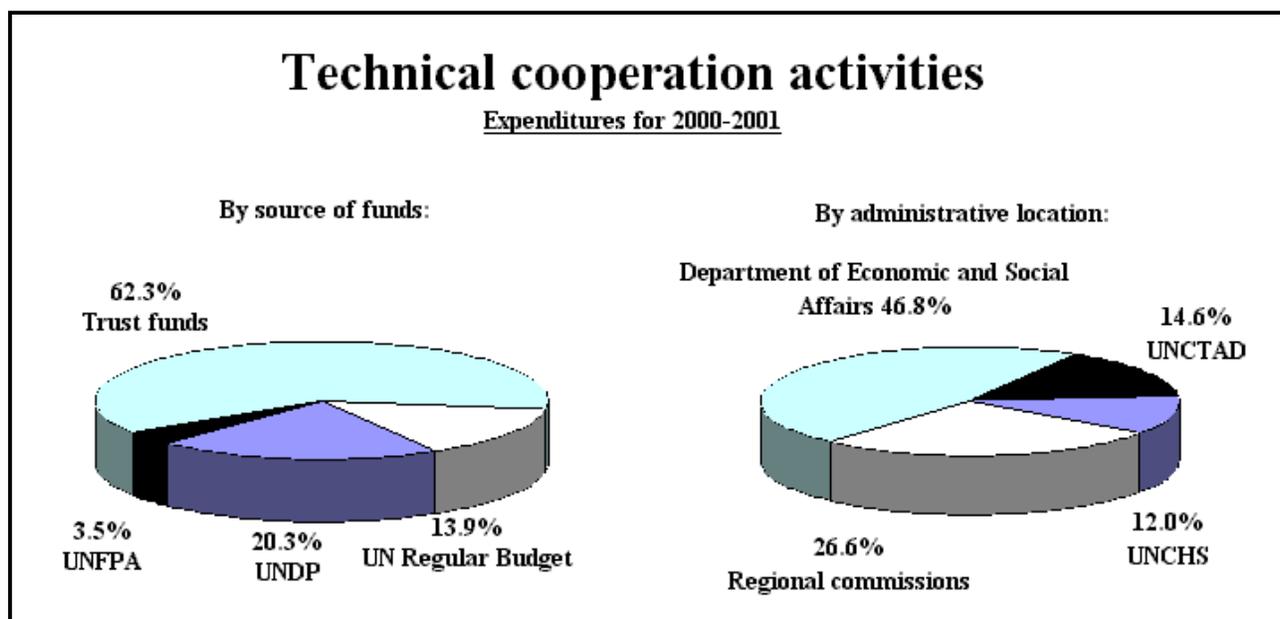
17. As can be seen from figure I.3, at the end of the three previous bienniums, reductions in unpaid contributions correlated closely with reduced levels of borrowing. At the end of the current biennium, unpaid contributions rose marginally, whereas there was an increase in the overall level of borrowings (from the Working Capital Fund and the United Nations Special Account), as inter-fund balances payable by the General Fund were reduced.

D. Technical cooperation activities

18. Statement IX reflects the results of United Nations activities in the field of technical cooperation. About 23.8 per cent of all technical cooperation activity during the biennium 2000-2001 was financed by the United Nations Development Programme (UNDP) and the United Nations Population Fund (UNFPA), with the remainder being financed through technical cooperation trust funds and through the United Nations regular budget under section 21, Regular programme of technical cooperation.

19. Total expenditures for technical cooperation activities were \$295.4 million (including \$41.1 million provided by the United Nations regular budget), representing a decrease of \$4.5 million compared with the biennium 1998-1999. Figure I.4 shows technical cooperation expenditures by source of funds and by administrative location.

Figure I.4



E. General trust fund activities

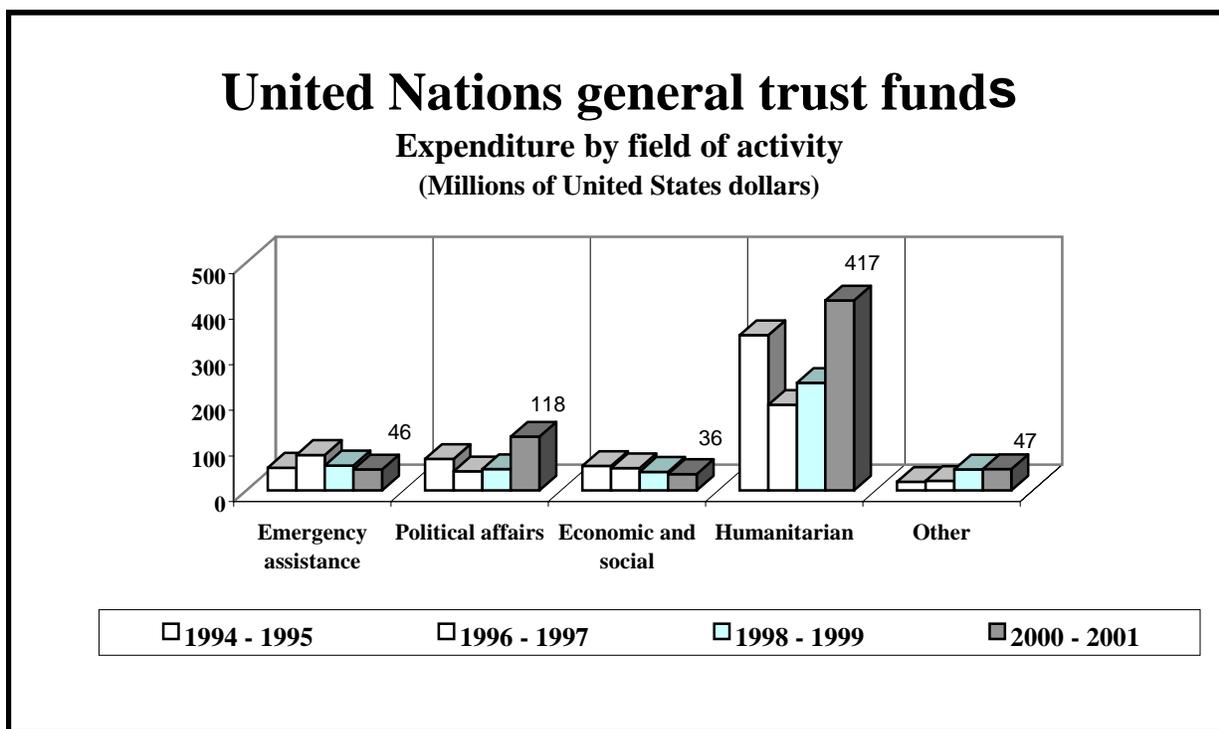
20. A consolidated summary of the 205 general trust funds under the direct responsibility of the Secretary-General is included in statement X. In the biennium 2000-2001, 21 general trust funds were established and 16 were closed. Various trust funds have been established to support or supplement the substantive work programme of the Organization or to contribute to activities of humanitarian or relief assistance. Other extrabudgetary activities, namely, the voluntary funds of the Office of the United Nations High Commissioner for Refugees, the United Nations Relief and Works Agency for Palestine Refugees in the Near East, the Fund of the United Nations Environment Programme, the Habitat and Human Settlements Foundation, the United Nations University, the United Nations Institute for Training

and Research, the International Trade Centre UNCTAD/WTO and the United Nations International Drug Control Programme are reported to the General Assembly separately and are not included in the accounts of the United Nations.

21. The total expenditure of \$663.7 million for all general trust funds was 56.3 per cent higher than the comparable total of \$424.5 million for the biennium 1998-1999. This was due largely to an increase in spending for the United Nations Fund for International Partnerships. Total income increased by 84.7 per cent to \$978.4 million for the biennium 2000-2001, reflecting a significantly higher level of voluntary contributions.

22. Six large funds accounted for 66.4 per cent of total expenditures for all general trust funds, namely, the United Nations Fund for International Partnerships (\$199.1 million), the Trust Fund for Disaster Relief (\$90.9 million), the Trust Fund for the United Nations Transitional Administration in East Timor (\$44.6 million), the Trust Fund to Support the Multinational Force Deployed in East Timor (\$38.0 million), the Afghanistan Emergency Trust Fund (\$37.0 million) and the Voluntary Trust Fund for Assistance in Mine Clearance (\$31.0 million). Summary data on all trust funds is contained in schedule 10.1. Figure I.5 illustrates trust fund expenditures by field of activity for the past four bienniums.

Figure I.5



F. Other special funds

23. Statements XI to XXVI provide information on funds established by the United Nations for various special purposes. A description of each of these funds or group of funds and how they function is included in the notes to the financial statements.

24. Statement XII provides information on the United Nations Compensation Commission. The Commission was established in 1992, in accordance with Security Council resolution 687 (1991), to administer the settlement of claims arising from any direct loss, damage or injury for which the Government of Iraq is held liable as a result of its invasion and occupation of Kuwait. During the biennium 2000-2001, the Commission's share of income from the sale of Iraqi oil rose by 58.3 per cent to \$8,158.0 million, and compensation awards also rose correspondingly by 58.2 per cent to \$8,563.8 million. In addition, as at the end of the biennium 2000-2001, compensation awards totalling \$21,281.4 million had been approved, but had not been paid or obligated pending the receipt of funds from the sale of Iraqi oil. Therefore, this amount has been reflected as deferred expenses and deferred liabilities in the financial statements.

25. It should be noted that contingent liabilities may exist for interest payments on compensation awards in accordance with the decision of the Governing Council of the Compensation Commission on "awards of interest" (see S/AC.26/1992/16). The Governing Council has not decided on the methods of calculation and payment of interest. Pending this decision, the amount payable cannot be determined.

26. Statement XVII records the activities in the programme support cost accounts, with the exception of the support account for peacekeeping operations, which is reported in the United Nations financial statements for peacekeeping operations. Programme support costs are monies earned by the United Nations for the provision of administrative support to technical cooperation activities, trust fund activities and administrative structures such as UNDP and the United Nations Children's Fund. Programme support costs are charged to fund activities so that the United Nations regular budget does not bear undue direct or indirect costs of extrabudgetary activities.

27. Overall income for non-peacekeeping-related programme support totalled \$149.5 million for the biennium 2000-2001, a 47.6 per cent increase over the previous biennium's total of \$101.3 million. Expenditures from the non-peacekeeping support accounts totalled \$122.5 million, a 43.1 per cent increase from the 1998-1999 figure of \$85.6 million.

Annex

Supplementary information

1. The present annex includes an explanation of the double-counting contained in the financial statements along with supplementary tables and information that the Secretary-General is required to report.

Double-counting in the financial statements

2. The United Nations financial statements for individual funds contain elements of double-counting of income and expenditure totalling \$474.7 million. These amounts have been eliminated from the income and expenditure figures shown in the total columns of statement I. Similarly, the United Nations financial statements for individual funds in the current report contain elements of double-counting of inter-fund indebtedness totalling \$346.2 million. These amounts have also been eliminated from the total asset and liability figures shown in statement II.

Cash and investments

3. The cash, investments and cash pool figures shown in the financial statements represent operational cash held at Headquarters and at other offices and projects outside of New York, as well as interest-bearing bank deposits and other investments. A detailed breakdown is shown in the following table (in millions of United States dollars):

<i>Fund/activity</i>	<i>Operational cash balances</i>	<i>Interest-bearing deposits</i>	<i>Other investments</i>	<i>Total</i>
General Fund, Special Account and Working Capital Fund	5.6	-	13.8	19.4
Technical cooperation activities	9.2	32.9	70.6	112.7
General trust funds	4.9	62.2	609.2	676.3
Other special-purpose funds	39.9	94.5	1 705.7	1 840.1

Contributions to the regular budget received in currencies other than United States dollars

4. The Secretary-General is authorized by the General Assembly to accept a portion of the assessed contributions of Member States in currencies other than United States dollars. Based on the United Nations actual requirements for various currencies, the dollar equivalents of the payments in other currencies accepted in respect of the bienniums 1998-1999 and 2000-2001:

<i>Member State</i>	<i>Currency</i>	<i>1998-1999</i>	<i>2000-2001</i>
Barbados	Dollar	165 258	-
Congo	Franc	-	114 003
Costa Rica	Colón	108 499	-
Cyprus	Pound	714 844	718 058
Dominican Republic	Peso	193 029	-
Ethiopia	Birr	132 127	-
India	Rupee	509 989	-
Indonesia	Rupiah	566 038	-
Morocco	Dirham	862 603	444 578
Pakistan	Rupee	1 240 186	1 219 016
Paraguay	Guaraní	110 551	-
Tajikistan	Rouble	10 595	-
The Former Yugoslav Republic of Macedonia	Dinar	47 819	-
Trinidad and Tobago	Dollar	416 749	-
Zimbabwe	Dollar	92 178	-
Total		5 170 465	2 495 655

Write-off of losses of cash and receivables

5. In accordance with financial rule 110.14, the Controller or, when required, the Secretary-General, after a full investigation, has approved write-offs for the biennium 2000-2001 totalling \$661,039. In each case it was determined, in the light of the facts known at the time, that: (a) the responsibility for the loss could not be fixed and attached to any official of the United Nations; (b) every effort had been made to collect the amounts due; and (c) further collection efforts would be fruitless. A breakdown of those write-offs charged to various funds is shown in the following table for the bienniums 1998-1999 and 2000-2001:

<i>Fund/activity</i>	<i>1998-1999</i>	<i>2000-2001</i>
United Nations General Fund	443 750	482 129
Technical cooperation activities	11 230	10 698
General trust funds	4 510	167 602
Other special accounts	123	610
Total	459 613	661 039

Write-off of losses of property

6. During the biennium 2000-2001, property losses at Headquarters and offices away from Headquarters amounting to \$33,182,511 (based on their original costs) were written off in accordance with financial rule 110.15. The significant value of property written off during this biennium is attributable to the obsolescence of technological equipment. Those write-offs brought the recorded balances of the

properties to the same levels as those shown in the property records for the actual quantities on hand. The details of the amounts written off were reported to the Board of Auditors in accordance with the provisions of financial rule 111.10 (b).

Ex gratia payments

7. There were no ex gratia payments for the general and related funds during the biennium 2000-2001.

Chapter II

Report of the Board of Auditors

Summary

The Board of Auditors has reviewed the operations of the United Nations at its Headquarters in New York and at the United Nations offices away from Headquarters in Addis Ababa, Bangkok, Beirut, Geneva, The Hague, Nairobi, Santiago, Santo Domingo and Vienna. The Board also audited the financial statements of the United Nations for the biennium ended 31 December 2001.

The Board's main findings are as follows:

(a) General trust funds and technical cooperation funds differ in their accounting treatment of voluntary contributions pledged, both at United Nations Headquarters and at offices away from Headquarters. General trust funds accrue voluntary contributions that were formally pledged as income, while technical cooperation funds record contribution income only when cash is received;

(b) A total of 17 trust funds, with combined reserves and fund balances of \$12 million, are inactive, while 20, with combined reserves and fund balances of \$52 million, are still active. The Administration further informed the Board that of the 17 trust funds that were inactive as at 31 December 2001, 1 trust fund, with reserves and fund balances of \$1.2 million, was now active, as it was authorized allotments for the biennium 2002-2003;

(c) Restrictions and delays, as reported by the Office of Internal Oversight Services, have hindered the effective internal audit of the \$35.9 billion in United Nations Compensation Commission awards approved from the Commission's inception to the end of 2001. Meanwhile, with the equivalent of one fourth of an internal auditor per billion United States dollars per year, its audit coverage has been much less than the audit capability provided by the United Nations for its regular budget expenditure;

(d) The records of the United Nations Fund for International Partnerships tracking database and of the Integrated Management Information System (IMIS) differ in the manner of grouping and classifying implementing partners and in recording transfers and utilization of project funds;

(e) The general controls of IMIS at United Nations Headquarters are satisfactory, and so are the application controls in IMIS and the related database from which the financial statements are generated; areas for improvement have been identified in the finance and human resources modules and non-computerized controls;

(f) There is a lack of coordination of information and communication technology efforts regarding such components as technology management, security, continuity and disaster plans;

(g) The present number of information technology auditors may not be adequate to provide regular audits of critical United Nations information technologies and systems;

(h) The services rendered by the United Nations Office at Geneva to United Nations entities are not defined precisely, while the entities serviced have not been formally listed; for the management of extrabudgetary funds, memorandums of understanding (service-level agreements) have been signed or prepared with only 5 of the 15 entities concerned;

(i) At the Office of the United Nations High Commissioner for Human Rights, extrabudgetary resources are increasingly used to fund core and mandated activities of the Office that should remain within the regular budget. The Office is facing difficulties in tracking voluntary contributions and is suffering from delays in the issuance of allotments by the United Nations Office at Geneva for projects funded from extrabudgetary resources;

(j) The Office for the Coordination of Humanitarian Affairs has no internal guidelines on the activities eligible for the Central Emergency Revolving Fund funding, which is called upon by a very limited number of agencies;

(k) The steady decline in voluntary contributions by donor countries has been a major contributor to the low level of performance of the International Research and Training Institute for the Advancement of Women in terms of its resources and programme implementation;

(l) No programme evaluation system is in place in the Department of General Assembly Affairs and Conference Services, as the Department views that some of the activities undertaken could be described as self-evaluation efforts. The Department reported programme performance on its quantifiable outputs, including qualitative analysis, using traditional paper-based reporting;

(m) The process of hiring consultants and experts is sometimes inconsistent with established rules, such as the roster of consultants either not being maintained or not being updated regularly; the selection process is undocumented; full payment is made before the assignment's deliverables have been evaluated; and consultants are allowed to commence work even without a signed or approved contract or are employed for several years through a series of short-term contracts;

(n) The Board made recommendations to improve the recording of pledges, inactive trust funds and disclosure of liabilities; to increase accountability at the United Nations Compensation Commission; to enhance the general and application controls surrounding IMIS and other systems at various sites; to address the need for coordinated effort and investments in information and communication technology; to strengthen the internal oversight capability in information and communication technology audits; to improve the management and documentation of inter-agency services; and to ensure compliance with administrative instructions in respect of consultants and individual contractors, among others.

A list of the Board's main recommendations is included in paragraph 13 below.

A. Introduction

1. The Board of Auditors has audited the financial statements of the United Nations for the period from 1 January 2000 to 31 December 2001 in accordance with General Assembly resolution 74 (I) of 7 December 1946. The audit was conducted in accordance with article XII of the Financial Regulations and Rules of the United Nations and the annex thereto and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. The auditing standards require that the Board plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatements.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the expenditures recorded in the financial statements for the period from 1 January 2000 to 31 December 2001 had been incurred for the purposes approved by the General Assembly, whether income and expenditures had been properly classified and recorded in accordance with the Financial Regulations and Rules and whether the financial statements of the United Nations presented fairly the financial position as at 31 December 2001. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered it necessary to form an opinion on the financial statements.

3. The audit was carried out at United Nations Headquarters and at the United Nations offices away from Headquarters at Addis Ababa, Bangkok, Beirut, Geneva, The Hague, Nairobi, Santiago, Santo Domingo and Vienna.

4. In addition to the audit of the accounts and financial transactions, the Board carried out reviews under financial regulation 12.5. The reviews concerned the efficiency of financial procedures, the internal financial controls and, in general, the administration and management of the United Nations.

5. The present report also addresses, in the paragraphs identified below, specific requests made by the General Assembly, namely:

(a) To continue to evaluate, in conjunction with the Secretary-General and the executive heads of the funds and programmes of the United Nations, what financial information should be presented in the financial statements and schedules and what should be presented in annexes to the statements in accordance with the United Nations system accounting standards (resolution 55/220 A, para. 12);

(b) To pay particular attention to reported expenditures and their relationship to programme delivery (see A/55/487, para. 14);

(c) To pay particular attention to expenditure sections with overexpenditures that were approved in General Assembly resolution 56/240 A of 24 December 2001, as well as sections with large amounts of unliquidated obligations to ensure their validity (resolution 56/240 C, para. 2).

6. With regard to the request in paragraph (c) above, the Board has already identified minor cases and the review is continuing.

7. The Board continued its practice of reporting the results of specific audits through management letters containing detailed observations and recommendations to the Administration. This practice has helped to maintain an ongoing dialogue with

the Administration on audit issues. The Board also maintained continuing cooperation with the Joint Inspection Unit and the Office of Internal Oversight Services.

8. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations on all matters contained in the present report were communicated to the Administration, which confirmed the facts on which the Board's observations and conclusions were based and provided explanations and answers to the Board's queries. The report is divided into two parts, one covering the audit of financial issues and the other the audit of management issues.

9. A summary of the Board's main recommendations is reported in paragraph 13, and the detailed audit observations are discussed in paragraphs 14 to 299.

1. Previous recommendations not fully implemented

10. In accordance with section A, paragraph 7, of General Assembly resolution 51/225 of 3 April 1997, the Board has reviewed the action taken by the Administration to implement the recommendations made in its report for the biennium 1994-1995.¹ The Board has highlighted one recommendation that has not been fully implemented by the Administration. In its report on the biennium 1994-1995, the Board recommended early resolution of the \$44 million due from the ad hoc account for the United Nations Operation in the Congo (\$36 million) and the Special Account for the United Nations Emergency Force (\$8 million) in view of the age of the balances and the amortization of the principal amount of the United Nations bonds (see para. 51 of the report).

11. In accordance with General Assembly resolution 48/216 B of 23 December 1993, the Board also reviewed the measures taken by the Administration to implement the recommendations made in its report for the biennium ended 31 December 1999.² Details of the action taken and the comments of the Board are set out in the annex to the present report.

12. The General Assembly, in its resolution 52/212 B of 31 March 1998, accepted the recommendations of the Board of Auditors for improving the implementation of its recommendations, subject to the provisions contained in the resolution. The Board's proposals, which had been transmitted to the Assembly in a note by the Secretary-General (A/52/753, annex), included the following main elements:

- (a) The need for specification of timetables for the implementation of recommendations;
- (b) The disclosure of office holders to be held accountable;
- (c) The establishment of an effective mechanism to strengthen oversight with regard to the implementation of audit recommendations. Such a mechanism could be in the form of either a special committee comprising senior officials or a focal point for audit and oversight matters.

¹ *Official Records of the General Assembly, Fifty-first Session, Supplement No. 5 (A/51/5)*, vol. I, chap. II.

² *Ibid.*, *Fifty-fifth Session, Supplement No. 5 (A/55/5)*, vol. I, chap. II.

The Board noted that the Administration had generally complied with those requirements.

2. Main recommendations

13. The Board's main recommendations are that:

(a) **The Office of Programme Planning, Budget and Accounts:** (i) review the application of the provisions of the United Nations Finance Manual in relation to the United Nations system accounting standards in order to address the inconsistency in the recording of unpaid pledges; and (ii) apply consistently the accounting policy on recognition of income in trust funds (para. 27);

(b) **The Office of Programme Planning, Budget and Accounts** review trust funds whose purposes have long been attained in order to close those that are inactive and no longer required (para. 35);

(c) **The United Nations Compensation Commission:** (i) undertake jointly with the Office of Internal Oversight Services a risk assessment of its operations in order to determine major areas of risk in the processing of claims and payments; (ii) recognize and meet internal audit staff requirements accordingly; and (iii) consider the establishment of an audit committee (para. 71);

(d) **The United Nations Compensation Commission:** (i) not restrict the Office of Internal Oversight Services from reviewing the admissibility, relevance, materiality and weight of the evidence supporting the claims and awarding decisions, including the evidentiary standards applied by the Commission and the commissioners for verification and valuation of losses, and the payments; and (ii) agree without further delay with the Office of Internal Oversight Services on the terms and scope of audit of the awards and payments, including access to all documentation supporting them (para. 75);

(e) **The United Nations Fund for International Partnerships (UNFIP),** in conjunction with the Office of Programme Planning, Budget and Accounts: (i) harmonize the classification and definition of implementing partners; (ii) ensure that the Office is furnished with an updated list of implementing partners; and (iii) periodically reconcile records, taking into consideration the identified differences in reporting advances to implementing partners (para. 85);

(f) **The Administration:** (i) develop short- and medium-term information technology plans for the Integrated Management Information System (IMIS) that establish the work to be done, the task priorities and the resource allocation policy; and (ii) provide information on development and maintenance costing and detailed time frames (para. 110);

(g) **The Administration** develop and implement a structured, Organization-wide risk-assessment process covering all information and communication technology environments that, inter alia: (i) clearly defines roles and responsibilities for risk management and accountability; and (ii) establishes a policy defining risk reporting, limits and tolerance (para. 113);

(h) **The Administration:** (i) document its procedures for updating and maintaining IMIS manuals when updates are implemented; (ii) establish a

programme change authorization guideline that would provide for a rapid and efficient planning, approval and initiation process; and (iii) ensure that persons responsible for approving programme changes are identified and designated (para. 118);

(i) The Administration implement performance- and capacity-monitoring procedures and develop a comprehensive IMIS disaster recovery plan (para. 122);

(j) The Administration introduce controls to ensure that no modifications of receipt details are allowed once IMIS has generated and/or printed the receipt documents (para. 133);

(k) The Administration include validation controls and procedures in the IMIS cheque-printing system to ensure that the system does not generate a cheque for approved disbursements for which a cheque has already been issued manually (para. 138);

(l) The Administration consider the cost-effectiveness of introducing: (i) an automated control mechanism for the data entered in IMIS by overriding the former amounts; and (ii) a mandatory field compelling users to enter the justification for any override before it can be validated (para. 146);

(m) The Administration review the distribution of functional packages to IMIS users in order to ensure the adequate segregation of incompatible functions and immediately discontinue the present practice of password-sharing in order to ensure the validity of the recorded transactions in IMIS (para. 155);

(n) The Secretariat, in conjunction with all concerned United Nations entities, undertake a coordinated information and communication technology effort with respect to such components as technology management, security, continuity and disaster plans (para. 177); and conduct a comprehensive review of IMIS users' expectations with a view to improving the overall cost-effectiveness of the expenditure in information and communication technology (para. 178);

(o) The Office of Internal Oversight Services strengthen its information technology and information systems audit capability through further staffing and training, following the approach recommended by the International Organization of Supreme Audit Institutions (para. 183);

(p) The United Nations Office at Geneva clarify its responsibilities vis-à-vis other United Nations entities by formally listing them and, accordingly, pursue its plan of drafting memorandums of understanding with each concerned organization in order to clarify the content and reimbursement of services and to better monitor them (para. 203);

(q) The Office for the Coordination of Humanitarian Affairs review with the other United Nations agencies the procedural constraints that might limit the use of the Central Emergency Revolving Fund, review the procedures of operation of the Fund and, in consultation with the Controller, ensure that funds are released on time (para. 250);

(r) **The Administration exert efforts to contain the declining trend in the funding of the International Research and Training Institute for the Advancement of Women (INSTRAW) (para. 269);**

(s) **The Administration: (i) set specific standards or performance indicators to serve as guide in evaluating programme performance; and (ii) initiate and design a feedback monitoring mechanism to assess and formulate strategies for improving the quality of conference and meeting services provided (para. 279);**

(t) **Services and substantive offices comply strictly with instructions on hiring, remunerating and evaluating the performance of consultants and individual contractors (para. 288).**

The Board's other recommendations are shown in paragraphs 44, 46, 49, 52, 55, 57, 61, 64, 66, 79, 91, 95, 97, 99, 129, 144, 149, 151, 153, 157, 160, 164, 169, 173, 185, 189, 192, 196, 205, 208, 210, 212, 216, 221, 224, 226, 231, 235, 240, 242, 247, 254, 262, 265, 275, 279, 282 and 285.

B. Financial issues

1. Financial overview

All funds summary

14. The United Nations all funds summary contains financial results for United Nations funds, which comprise four groups of related funds, consisting of the General Fund and related funds, technical cooperation activities, general trust funds and other special funds. As at 31 December 2001, total income for the biennium 2000-2001 of \$12.95 billion, of which \$8.34 billion (64 per cent) is that of the United Nations Compensation Commission, exceeded the total expenditure of \$12.58 billion by \$373 million. The total income increased by \$3.82 billion in comparison with the 1998-1999 biennium, which almost matched the \$3.52 billion increase in expenditure. Total assets and liabilities decreased by \$266 million and \$725 million respectively, with a corresponding increase in reserves and fund balances of \$460 million. Shown in table II.1 is a comparison of the totals of income, expenditures, assets, liabilities and reserves and fund balances of the four groups of related funds and major accounts for the bienniums 1998-1999 and 2000-2001.

Table II.1

Comparison of United Nations funds for the bienniums 1998-1999 and 2000-2001

(Millions of United States dollars)

	<i>General Fund and related funds</i>		<i>Technical cooperation activities</i>		<i>General trust funds</i>		<i>Other special funds</i>	
	<i>2000-2001</i>	<i>1998-1999</i>	<i>2000-2001</i>	<i>1998-1999</i>	<i>2000-2001</i>	<i>1998-1999</i>	<i>2000-2001</i>	<i>1998-1999</i>
Total income	2 618	2 620	320	304	978	496	9 510	6 167
Total expenditures	2 637	2 561	295	300	664	400	9 458	6 241
Total assets	1 078	1 392	251	263	878	511	2 663	3 070
Total liabilities	722	984	133	186	193	114	1 664	2 253
Reserves and fund balances	356	408	118	77	685	398	1 000	817
Cumulative surplus	139	191	-	-	593	344	312	135
<i>Major accounts</i>								
Voluntary contributions	-	-	148	107	849	411	0	42
Allocations from other funds	-	-	41	42	-	-	8 451	5 387
Cash and term deposits, investments and cash pool	19	179	112	150	677	389	1 840	2 121
Inter-fund balances receivable	637	742	42	42	8	1	251	353
Inter-fund balances payable	506	726	26	31	43	9	38	60
Approved compensation awards financed from future oil sales/approved compensation awards payable	-	-	-	-	-	-	21 281	8 499
Unliquidated obligations	104	156	65	84	131	85	1 103	1 625

General Fund and related funds

15. For the biennium 2000-2001, expenditures increased by \$76 million (3 per cent) and income dropped by \$2.4 million from \$2.62 billion for the biennium 1998-1999, resulting in a shortfall in income of \$19 million. Total assets of \$1.08 billion decreased by \$314 million (23 per cent) from \$1.39 billion as at 31 December 1999. The decline in total assets was attributable largely to decreases in cash and term deposits (\$55 million), inter-fund balances receivable (\$81 million), other accounts receivable (\$31 million) and deferred charges (\$17 million) for the United Nations General Fund. The combined liabilities (\$1.01 billion) of the three funds as at 31 December 2001 were \$106 million (10 per cent) less than the \$1.11 billion recorded as at 31 December 1999. The decrease was, for the most part, due to the settlement by the General Fund of its unliquidated obligations (\$53 million) and the amount paid (\$58 million) to the peacekeeping reserve funds, which represents the remaining cash contribution of the regular budget towards the peacekeeping reserve funds. From \$408 million as at 31 December 1999, the reserves and fund balances decreased to \$356 million (13 per cent) as at 31 December 2001.

Technical cooperation funds

16. The financial statements of the United Nations technical cooperation activities showed a net excess of income over expenditure of \$25 million as compared with \$4 million for the biennium 1998-1999. Total assets decreased by \$12 million (4 per cent), from \$263 million as at 31 December 1999 to \$251 million as at 31 December 2001. While cash and term deposits and receivables from funding sources decreased by \$92 million and \$10 million respectively, investments registered \$70 million in the cash pool as at 31 December 2001. Also, liabilities decreased by \$53 million (29 per cent).

General Trust Fund

17. The financial statements as at 31 December 2001 of the United Nations General Trust Fund showed an excess of income over expenditures of \$314 million for the biennium 2000-2001 compared with \$105 million for the biennium 1998-1999. Increases in voluntary contributions of \$398 million (88 per cent) and interest income of \$39 million (91 per cent) contributed to the growth in income. Total assets of \$878 million grew by \$355 million (68 per cent) from the \$523 million recorded as at 31 December 1999. The growth was due mainly to the investment in the cash pool of \$542 million. Unliquidated obligations increased by 53 per cent, from \$85 million to \$131 million, thereby increasing the total liabilities from \$114 million as at 31 December 1999 to \$193 million as at 31 December 2001.

Other special funds

18. For other special funds, the total income of \$9.51 billion exceeded total expenditure of \$9.46 billion by \$52 million for the biennium 2000-2001. The total income increased by \$3.34 billion in comparison with the previous biennium, which was slightly higher than the increase in expenditure of \$3.22 billion. Total assets decreased by \$407 million, from \$3.07 billion as at 31 December 1999 to \$2.66 billion as at 31 December 2001, while total liabilities of \$1.66 billion decreased by \$589 million.

2. United Nations system accounting standards

19. The Board evaluated the extent to which the financial statements of the United Nations for the biennium ended 31 December 2001 conformed to the United Nations system accounting standards. The review indicated that the presentation of the financial statements for the biennium 2000-2001 was generally consistent with the standards.

3. Presentation of financial statements

20. In accordance with paragraph 12 of General Assembly resolution 55/220 A of 23 December 2000, the Board of Auditors, in conjunction with the Secretary-General and the executive heads of the funds and programmes of the United Nations, continued to evaluate what financial information should be presented in the financial statements and schedules and what should be presented in annexes to the statements in accordance with the United Nations systems accounting standards.

21. The Board noted the increasing number of financial statements prepared by the Administration. There are 26 statements for the biennium ended 31 December 2001,

3 more than were prepared for the biennium ended 31 December 1999 and 5 more than the 21 prepared for the biennium ended 31 December 1997. The statements are supported by 15 schedules. The Board's review of the nature and purpose and the significance in terms of amounts of the various financial statements showed that the information provided in certain statements and schedules could form part of other statements or could be presented as annexes, considering that the data provided referred only to the details of certain accounts already presented in other statements. Some examples are:

(a) Total assets shown in 14 individual statements were below 0.5 per cent of the total assets in the United Nations all funds summary statement of assets, liabilities, reserves and fund balances (statement II);

(b) Minimal amounts of income and expenditure were shown in 13 statements, ranging from zero to half of 1 per cent of the consolidated amounts in the all funds summary statement of income and expenditures and changes in reserves and balances (statement I);

(c) Statements IX and X are summary statements of all technical cooperation activities and general trust funds, which are also reported in columns 2 and 3 of the all funds summary statements.

22. The Board also noted that of the 15 schedules supporting the financial statements, only schedules 4.1 (United Nations General Fund: status of appropriations by section and major object of expenditures) and 5.3 (United Nations General Fund: assessed contributions unpaid) are mentioned in the United Nations system accounting standards as being schedules that organizations with assessed budgets may include with the financial statements. The Board is concerned about the increasing number of statements and schedules, which not only requires effort and other resources for their preparation, consolidation, review and approval, but also makes the financial information more complex.

23. The Administration informed the Board that the increase in the number of financial statements resulted from requirements contained in various General Assembly and Security Council resolutions. The preparation of those statements was not based solely on the significance of the amounts involved. The Administration agreed that there is a need to streamline the volume of the financial statements and had already taken a number of steps in that direction. At the same time, the Administration commits to further reviewing the level of information and details provided in the current statements and schedules with a view to including some of the information in annexes, based on further discussions with the Board.

24. In respect of the United Nations Compensation Commission financial statements, the Administration has excluded the approved but unfunded compensation awards of \$21.3 billion from statement XII, which reflected them as assets and liabilities; the Administration now discloses them in note 12 to the financial statements. The Board encourages the Office of Programme Planning, Budget and Accounts, to continue, in coordination with individual user organizations, the review and to harmonize the presentation of financial statements.

Voluntary contributions pledged

25. The Board noted that at United Nations Headquarters, general trust funds and technical cooperation funds differed in their accounting treatment of voluntary

contributions pledged. General trust funds accrued voluntary contributions that were formally pledged as income, while technical cooperation funds recorded contribution income only when cash was received. However, offices away from Headquarters, such as the Economic Commission for Africa (ECA) and the Economic Commission for Latin America and the Caribbean (ECLAC), had recorded pledged contributions on an accrual basis for technical cooperation funds valued at \$2.3 million and \$5.2 million respectively as at 31 December 2001. The Board is concerned about this inconsistency.

26. While the current income recognition for technical cooperation accounts is in overall compliance with the United Nations systems accounting standards, the Administration believes certain parts of the Finance Manual, such as that concerning the application of pledges, formulated decades ago, need to be reviewed, taking into account the changing business environment to ensure that they are more clearly defined and applied appropriately among various groups of funds. Accordingly, and in line with audit recommendations, the Administration commits to reviewing the application of policy and the current practice on pledges and to making appropriate changes where necessary.

27. The Board recommends that the Office of Programme Planning, Budget and Accounts: (a) review the application of the provisions of United Nations Finance Manual in relation to the United Nations system accounting standards in order to address the inconsistency in the recording of unpaid pledges; and (b) apply consistently the accounting policy on recognition of income in trust funds.

4. Cash flow and liquidity (General Fund)

28. The Board noted that assessed contributions of \$251 million for the United Nations General Fund remained unpaid as at 31 December 2001. This is 3 per cent more than the arrears of \$244 million recorded as at 31 December 1999. The Board is concerned that the total unpaid assessed contributions represented some 10 per cent of the total assessed contributions of \$2.42 billion and 24 per cent of the total assets of \$1.06 billion as at 31 December 2001. The assessed contributions outstanding as at 31 December 2001 (\$251 million) excluded the \$16.6 million in unpaid assessed contributions that have been retained as a special account in the financial statements pursuant to General Assembly resolution 3049 C (XXVII) of 19 December 1972.

29. The Board's review of the ageing report on unpaid assessed contributions revealed that of the \$251 million total, \$26 million (10 per cent) was aged over 24 months, \$13 million (5 per cent) was aged for 13 to 24 months, and \$212 million (85 per cent) was outstanding for less than 12 months. The Board noted that the assessed contributions outstanding (\$251 million) as at 31 December 2001 included the amount of \$11 million (5 per cent) representing unpaid assessed contributions from one country, which ceased to be a State on 1 November 2000. The Administration stated in the notes to the financial statements that no action had been taken in the accounts as there had been no specific General Assembly resolution on this matter.

30. As in previous bienniums, apart from depending on the Working Capital Fund and the Special Account to meet shortfalls in income for the regular budget, the United Nations General Fund had to borrow from peacekeeping funds. During the biennium 2000-2001, the General Fund borrowed and settled a total of \$299 million

in peacekeeping funds, which related to five closed peacekeeping missions. On the other hand, the United Nations General Fund had inter-fund receivables of \$110 million from 20 peacekeeping funds as at 31 December 2001. At the end of the biennium, the outstanding obligations of the United Nations General Fund to the Working Capital Fund and Special Account amounted to \$100 million and \$179 million respectively. In addition, the unliquidated obligations of the General Fund amounted to \$102 million, which compares favourably with the unliquidated obligations of \$154 million as at 31 December 1999.

5. Trust funds

31. As in the previous biennium, there was a delay in the closure of trust funds whose purposes had long been attained. Of the eight trust funds with a total balance of \$1.3 million that had been inactive since the biennium 1992-1993, only two, with a total balance of \$.02 million, had been closed during the biennium 2000-2001. The other six remained inactive at the end of the biennium. The financial statements of 61 trust funds as at 31 December 2001 did not show any expenditures for the biennium 2000-2001 except for transactions pertaining to the investment pool and related accounts. Of the 61 trust funds, 37 had combined reserves and fund balances of \$64 million, while 24 showed nil balances. Only 17 trust funds, with combined reserves and fund balances of \$12 million, are inactive while 20, with combined reserves and fund balances of \$52 million, are still active. Also, of the 17 inactive trust funds, as shown in table II.2 below, one (the Trust Fund to support peacekeeping-related efforts in Sierra Leone), with a fund balance of \$1.2 million, is now an active fund, as it was authorized allotments in the biennium 2002-2003.

Table II.2
Inactive trust funds as at 31 December 2001
 (United States dollars)

<i>Trust fund</i>	<i>Fund balance</i>	<i>Inactivity date^a</i>
Trust Fund for the international campaign against drug abuse and illicit trafficking	120 795	1990-1991
Trust Fund for the Commission of Experts established pursuant to Security Council resolution 780 (1992)	576 687	1994-1995
Trust Fund for the colloquium on the progressive development and codification of international law	18 033	1998-1999
Trust Fund for Haiti	881 232	1998-1999
Trust Fund for Iraq-Kuwait border issues	1 005 820	1994-1995
Trust Fund for jointly financed information projects	137 078	1994-1995
Voluntary fund for supporting developing countries participating in the United Nations Conference on Straddling Fish Stocks and Highly Migratory Fish Stocks	131 313	1994-1995
Trust Fund — Hamish Brown Fellowship Fund	46 677	1988-1989
Trust Fund for research in regional cooperation in Asia and in new and renewable energy resources	357 354	1988-1989
United Nations Trust Fund for training for the United Nations Transition Assistance Group	103 651	1990-1991
Trust Fund for confidence-building measures in Eastern Slavonia	36 209	1998-1999
Cambodia Trust Fund	2 129 430	1998-1999
Trust Fund for implementation of the Cotonou Accord in Liberia	3 630 207	1998-1999
Trust Fund to support peacekeeping-related efforts in Sierra Leone	1 198 747	1998-1999
Trust Fund for the rapidly deployable mission for Headquarters	710 779	No activity since creation in 1997
Trust fund for Somalia Police Force (sub-account for the Trust Fund for Somalia Unified Command)	790 919	1994-1995
Trust Fund to support the implementation of the Agreement on a Temporary Ceasefire and the Cessation of Other Hostile Acts on the Tajik Afghan Border and within the country for the duration of the talks	21 241	1996-1997
Total	11 896 172	

^a Last biennium with transactions.

32. One case the Board reviewed was the Trust Fund for Rwanda. It was established by the Secretary-General in 1994, pursuant to Security Council resolution 925 (1994), and was implemented by the Office for the Coordination of Humanitarian Affairs to support humanitarian relief and rehabilitation programmes in Rwanda. It has been dormant since 1996, but had a fund balance of \$6.15 million as at 31 December 2001. This balance includes a reserve for allocations totalling \$5.3 million set up in March 1995. The allocation was made to the United Nations Development Programme (UNDP) from a governmental contribution. According to UNDP, a utilization report on the contribution was sent directly to the donor. However, the Office for the Coordination of Humanitarian Affairs has never been provided with a copy of the report and, therefore has not been able to liquidate the

advance. After an audit by the Office of Internal Oversight Services in October 2001, the Office for the Coordination of Humanitarian Affairs requested but did not receive a copy of the report from UNDP. However, the Board found during its audit a progress report sent by UNDP in Kigali, dated June 1996, that provided information on the utilization of 98.3 per cent of the contribution.

33. The financial statements for the Trust Fund for Rwanda show a cumulative surplus of \$675,819. This surplus includes a contribution receivable of \$384,615 from one country. The amount remains unchanged since 31 December 1997 and appears to be now uncollectable. According to the Office for the Coordination of Humanitarian Affairs, there was a plan to utilize the remaining balance to finance a programme to assist displaced people in Rwanda, but the Board had found no such plan. Moreover, the Office had decided to close its field operations in Rwanda. It now plans to get the donors' approval to transfer the balance to its Rwanda sub-account in the Trust Fund for Disaster Relief.

34. The Administration informed the Board that the Office of Programme Planning, Budget and Accounts was cognizant of these inactive trust funds and continued its coordination efforts with programme managers concerned for the closure of inactive trust funds whenever possible.

35. The Board reiterates its previous recommendation that the Office of Programme Planning, Budget and Accounts take action to review trust funds whose purposes have long been attained in order to identify and close those that are inactive and no longer required.

6. United Nations Compensation Commission

36. The United Nations Compensation Commission expenditure was \$8.6 billion for the biennium. In its report on the 1996-1997 financial statements,³ the Board had provided observations on the processing of claims (see paras. 163-197 of that report). For 2000-2001, the Board focused on: (a) awards to be paid; (b) expenditure related to staff, consultants and commissioners; and (c) internal controls. The Board has found in some areas a need to improve accountability and transparency, due to the significant amounts at stake.

37. The Compensation Commission was established by the Security Council in its resolution 692 (1991) as a subsidiary and temporary organ of the Council. Its mandate is to pay compensation for losses and damages suffered during the occupation of Kuwait in 1990. Its 15-member Governing Council is composed of the representatives of the members of the Security Council. Its Compensation Fund receives part (30 per cent until 2000, then 25 per cent) of the proceeds from the sale of Iraqi oil. More than 2.6 million claims have been registered from the inception of the Commission to 31 December 2001; table II.3 reflects the claims awarded during the biennium. At the end of 2001, 10,872 claims remained to be examined, for which the claimants were seeking another \$217 billion. The Commission had operating expenditures of \$80 million for the biennium on an initial budget of \$100 million, with a staff of 265. The budget is endorsed by the Governing Council, without being submitted to the Advisory Committee on Administrative and

³ Ibid., *Fifty-third session, Supplement No. 5* and corrigendum (A/53/5 and Corr.1), vol. I, chap. II.

Budgetary Questions nor to the Fifth Committee of the General Assembly. The Commission contemplates a completion strategy that would lead to ending its operations in 2004. No plans have yet been formulated as to the possible extension of the mandate of one or more units of the Compensation Commission secretariat beyond that date in order to complete the payment tasks.

Table II.3
Claims awarded during the biennium 2000-2001

<i>Category</i>	<i>No. of claims</i>	<i>Awards (Millions of United States dollars)</i>
A. Individuals	223	1
D. Individuals	2 365	416
E. Corporations	2 142	18 279
F. Governments and international organizations	197	2 578
Total	4 927	21 274

Awards to be paid

38. As shown in statement XII, the Compensation Commission income reached \$8.34 billion in the biennium 2000-2001, while it paid or obligated \$8.56 billion of claims. However, the Commission awards compensation regardless of the resources available; as a result, as at 31 December 2001, there was a difference of \$21 billion between amounts awarded (\$36 billion) and amounts paid (\$15 billion) since the establishment of the Commission. The Board notes that at the end of the biennium, unpaid awards amounted to some two and a half times more than the level of resources available during the biennium 2000-2001 (\$8.5 billion). The Commission has informed the Board that its mandate to pay compensation awarded has distinctly coexisted with, and is not contingent in any way on, its mandate to evaluate losses and verify the validity of claims for compensation. The Secretary-General, in his report to the Security Council that established the founding framework of the Commission, noted that it was anticipated that the value of claims approved by the Commission would at any given time far exceed the resources of the United Nations Compensation Fund (S/22559, para. 28).

39. The principle of the payment of interest directly linked to the principal amount of awards was decided 10 years ago (see S/AC.26/1992/16) when the Governing Council decided that:

(a) Interest would be awarded from the date the loss occurred until the date of payment, at a rate sufficient to compensate successful claimants for the loss of use of the principal amount of the award;

(b) The methods of calculation and of payment of interest would be considered by the Governing Council at the appropriate time;

(c) Interest would be paid after the principal amount of awards.

40. The Commission informed the Board that, on 2 March 2002, the Governing Council had concluded that the appropriate time had not yet arrived for determining the methods of calculating and paying interest. The views expressed revealed that

Governing Council members felt that the picture remained unclear as to what eventually would be the total principal amount of compensation awarded by the Commission and the length of time that would be required for Iraq to pay such amounts. The Board notes that award decisions, which are to generate such interest payments, are based on reports transmitted to the concerned Governments, stating, for example, that in accordance with the decision cited above, “the panel recommends that interest should run from the date of loss”.

41. The Compensation Commission emphasized that, under international law and as formally accepted by Iraq, the liabilities and obligations associated with the payment of interest on compensation awards rested with the Government of Iraq, not the Commission or the United Nations as a whole. Further, according to paragraph 16 of Security Council resolution 687 (1991), which under article 31 of the rules for claims procedures formed part of the law applicable before the Commission, Iraq was liable under international law for any direct loss, damage or injury to foreign Governments, nationals and corporations, as a result of its unlawful invasion and occupation of Kuwait. Iraq had agreed to the terms of resolution 687 (1991) on 6 April 1991, three days after its adoption.

42. Taking note that the Governing Council had yet to agree on a methodology, 11 years into the Commission’s mandate and 2 years before its contemplated closure, the Board wishes to draw attention to the lack of visibility resulting from the absence of any estimate of the range of interest amounts at stake, even though they may be quite significant.

43. While obtaining the legal information reflected above, the Board also noted that neither the Commission nor the United Nations Secretariat presently had on file an in-depth analysis of the Commission’s legal framework and its financial implications. In future, after the likely 2004 completion deadline, such a document may be of use to assure the continuity of the understanding of the legal context of payments to come.

44. The Board recommended that the United Nations Secretariat provide the Board in the near future with a comprehensive legal analysis of all issues related to the Compensation Commission, and the Secretariat agreed. The Board is also pleased to note that the financial statements of the United Nations for the biennium 2000-2001 have been presented in accordance with the summary legal analysis provided above.

45. In view of the legal framework, the Board noted that the Commission did not so far include in its correspondence related to awards and payments a disclaimer clarifying that the United Nations was in no way liable or responsible for any interruption of payments, contrary to similar clarifications in other United Nations activities.

46. The Board is pleased to note that, upon its recommendation, the Compensation Commission has agreed to include in its award and payment notifications a disclaimer stating that payments depend on available funds and will be implemented only as long as Security Council resolution 687 (1991) is in force, and that Iraq, not the United Nations, is liable. The Board also notes that, when consulted, the Office of Legal Affairs recommended, and the Compensation Commission agreed, that such a notification should be circulated

to those States which have already been informed about the awards but have not yet received payments.

United Nations Compensation Commission staff, consultants and commissioners

Staff and consultants' nationalities

47. The United Nations Compensation Commission relies on the expertise of highly qualified staff and consultants, mainly from two developed countries. Article 6(2) of the rules for claims procedures states that the working language of the claims procedure before the Commission will be English. As indicated by the Commission, that requirement has inevitably resulted in the recruitment of staff from countries where English is the predominant language of the legal and accounting professions. As at 1 December 2001, 6 of the 11 team leader posts were filled by nationals from the same 2 countries, 3 of whom possessed one of the two nationalities in addition to their original citizenship. At the same date, 16 of the 22 consultancy firms contracted since 1997 to assist in the valuation and quantification of claims were from the same two countries. The Commission explained that it consistently endeavoured to recruit from the broadest possible geographic range.

48. The Commission informed the Board that it was not required to adhere to the "desirable ranges" established for the United Nations Secretariat with regard to nationalities. It stressed that strong English-language skills were required because of the heavy emphasis on written legal analysis and commercial claims resolution experience. As regards loss-adjusting consultants, the Commission underlined that companies possessing the necessary experience and competence in dealing with large and complex claims at the international level tended to be almost exclusively from one country.

49. The Board is of the view that, while there is no ground to question the adherence of the officials involved to the United Nations Staff Rules, an unbalanced recruitment approach may, as compared with the standard United Nations membership-wide recruitment of key staff members and consultants, introduce the risk of regional cultural bias in the legal and financial approaches to compensation decisions.

United Nations Compensation Commission commissioners

50. The part-time "commissioners" or "panel members", numbering 42 from 33 countries in 2001, are mostly private sector consultants; some are active civil servants in their home countries. They are members of the panels responsible for assessing losses suffered by claimants in categories D, E and F (see table II.3 above), and with recommending compensation in reports to the Governing Council. Appointed by the Governing Council on the basis of recommendations of the Executive Secretary, they are employed under special service agreements as consultants, with a stipend which currently amounts to a monthly rate of \$8,920, equivalent to the salary level of a short-term D-2 director, according to a report of the Executive Secretary to the Committee on Administrative Matters of the Compensation Commission dated 20 November 2001. This does not include airfare and per diem for Geneva sessions. Stipend payments amounted to \$8.8 million in the biennium 2000-2001. The Commission informed the Board that neither the Secretary-General, in nominating Commissioner candidates, nor the Governing

Council, in appointing Commissioners, had differentiated between those coming from and already salaried by the public and private sectors.

51. The Commission has also decided that the panel members would be paid for time spent working. This might be construed as contradicting the part-time, flat monthly rate applied without any monitoring of time spent working. The Commission has indicated that an informal survey suggests that the commissioners provide, on average, six “billable” workdays a month. The Commission commented that, alternatively, a rate of \$600 per hour would be a minimal international benchmark in this field, and that a standard procurement contract would therefore likely cost some four times as much. The Governing Council explored in 1995 the options available for remunerating commissioners and concluded that the flat monthly fee mechanism would be preferable to paying commissioners on an hourly or daily fee basis. The Commission stressed that changing the manner of remunerating commissioners 11 years into the programme would be likely to imperil the orderly and timely completion of its activities.

52. The Board, taking note of the drawbacks that would imply a change in the remuneration of commissioners at this late stage, recommends that the Compensation Commission, with the assistance of the United Nations Secretariat, clarify the discrepancy between the contracts based on a flat monthly stipend and the decision to pay the commissioners according to time spent working and, if need be, implement the latter and request the commissioners to report the time actually devoted to the Commission.

Internal controls

Claims audit trail

53. The Office of Internal Oversight Services noted in 2001 that supporting documentation for awards was sometimes missing and was reported by the Compensation Commission to be in the hands of its consultants, or even of the claimants’ own consultants or insurers, out of Geneva. The Office of Internal Oversight Services recommended that policies on standard filing and documentation for the claim file be developed without further delay. In response, the Commission has developed checklists identifying the documents that have to be kept for audit purposes. The Board is pleased to note that since its audit, and on the basis of the checklists, the claims units within the Legal Services Branch have begun checking to ensure that the identified documents are in the relevant claim file, instalment file or category file before they are closed and archived.

54. The Commission informed the Board that the “F3” claims submitted by the Government of Kuwait are very substantial and are supported by extremely voluminous documentation that is kept in Kuwait, where the Government has developed a sophisticated document management system that is accessible to the secretariat staff and consultants. During site inspection missions to Kuwait, sample documents are selected and, as they are mostly in Arabic, they are translated and sent to the Commission’s expert consultants for their further examination and checking.

55. The Board recommends that the checklist of types of documents to be filed be strictly applied to ensure that all evidence in custody of third parties is

returned to the Commission in order to provide a proper full audit trail in compliance with best practices.

56. The Compensation Commission's standard operating procedures stated in 2002 that policy decisions with respect to the archiving of Commission materials had yet to be taken. After 11 years, the Governing Council was to discuss this issue in June 2002.

57. The Board recommends that the Compensation Commission establish and implement an archiving policy.

Control of distribution of funds

58. The Commission transfers the awarded funds to the Governments, principally, and to other paying agents (international organizations) that originally submitted or transmitted the claims, and those Governments and paying agents are responsible for the payment to the successful claimants. There is no mechanism to ensure that the funds actually reach the intended claimants. In the light of Governing Council decisions 17 and 18 (S/AC.26/Dec.17 and 18), the Commission secretariat has not actively sought to confirm actual payments to beneficiaries during field missions. However, the secretariat closely monitors the reports submitted by Governments in which they are required to confirm the distribution of funds to beneficiaries. The secretariat submits quarterly reports to the Governing Council on the work of Governments and other entities on the distribution of payments.

59. Governments are only required to report not later than three months after the expiration of the time limit for the distribution of each payment received from the Commission, and to refund to the Commission the undistributed compensation awards. The Commission staff have focused their five field missions over the years on the review of national systems of payment and reporting procedures, without confirming actual payments to beneficiaries.

60. The Office of Internal Oversight Services recommended in 1998 and 2001 that the Commission require Governments and other paying agents to provide audit certificates relating to payment reports. This is a frequent practice for most nationally executed expenditures financed by the United Nations system and the specialized agencies as an essential part of the accountability system. Such certificates would result from a general review by a local auditor of the payment distribution recording procedures and from such tests of the accounting records and other supporting evidence as are necessary in the circumstances. As a result of their examination, the local auditors would provide the Commission, in accordance with best practices, with an opinion on whether or not the reports presented fairly the distribution of the funds. In 1998, the Working Group of the Governing Council did not see fit to submit this recommendation of the Office of Internal Oversight Services to the Governing Council. In 2000, the Governing Council considered the renewed recommendation submitted by the secretariat, but chose not to implement it.

61. Concerned about the lack of accountability resulting from the decision not to implement audit certificates, the Board recommends that the Compensation Commission establish a policy requesting Governments and other paying agents to provide audit certificates for payment reports submitted to the Fund and implement it without delay. The Board is pleased to note that the

Commission secretariat plans to convey the Board's recommendation that the Council reconsider its position.

62. The Board is pleased to note that the Executive Secretary of the Commission has acted promptly on its recommendation that regular field inspections of payments made to the claimants be implemented without further delay, possibly jointly by the Compensation Commission and Office of Internal Oversight Services. The Executive Secretary informed the Governing Council in May 2002 that such inspections should help to provide further assurance that the funds transferred to Governments and international organizations for distribution to claimants actually reach the intended recipients. Because of the large number of claimants, such inspections could be conducted on a sample basis. The outcome of the Council's deliberations on this matter was not known at the time the present report was drafted.

63. As a result of the above situation, the Commission requests only an unaudited payment report. As at 6 March 2002, 21 countries and 2 United Nations entities were beyond the reporting deadlines and were therefore requested to refund to the Commission a total amount of \$104 million, of which over 80 per cent applied to 1 country. The penalty for failure to return undistributed funds since 1999 has been a suspension of further payments. The Commission stated that there had been steady progress towards reducing both the number of countries regularly in default for large amounts and the duration of delays. However, the suspension measure is dissuasive only if the country is still expecting payment from the Commission, which applies to only 4 of the 21 countries concerned.

64. The Board recommends that the Compensation Commission take appropriate action without delay to recover undistributed funds.

Internal audit

65. The Office of Internal Oversight Services considers, and the Board of Auditors concurs, that the several hundred billion dollars at stake in awards and interest entails significant risks with numerous avenues for errors, misjudgements and irregular activities, including fraud, owing to the complexity of the Compensation Commission's activities and procedures. This would call for the strictest internal audit of claims and payments, beyond the tasks performed by the Verification and Valuation Support Branch of the Commission.

66. However, after reviewing this issue with the Office of Internal Oversight Services, the Board is concerned that by May 2002, the Office was reporting that internal audits were still being hindered by the Compensation Commission to a worrisome degree, 11 years into the programme.

67. Under a 1997 memorandum of understanding, the Office of Internal Oversight Services assumed the internal audit function, now being carried out through its Iraq Programme Section. Until 2000, audits focused on administrative issues (contracts awarded to consultants, budgetary procedures, integrated database). The first audit related to claims was implemented in 2000 (payment procedures). The Office has since audited claim processing and awards. The value of the claims audited as at the end of 2001 was \$174 million, or a coverage of 6.2 per cent of D, E and F awards. But the Board notes that the Compensation Commission provided funding for only one P-4 auditor assigned to the Office in the biennium 2000-2001. In 2001, the

Office requested the Commission to fund a second P-4 post. By mid-June 2002, the Governing Council had not yet authorized the post. The Board wishes to state that for the biennium 2002-2003, the ratio of Professional posts for auditors and investigators, as reported by the Office of Internal Oversight Services, is in the range of:

(a) 12 internal auditors per billion dollars in United Nations annual regular budget, trust fund and technical cooperation expenditures (not including the oil-for-food and the Office of the United Nations High Commissioner for Refugees programmes and audit staff);

(b) 0.12 of one auditor per billion dollars in yearly Compensation Commission expenditures, as reflected in statement XII, interest not included.

68. While there is only one internal auditor, the Commission has so far resolved 2.6 million claims for which it has awarded \$35.9 billion in compensation (on \$97 billion sought). It has yet to resolve the largest 10,000 claims (with \$217 billion sought). The Commission itself underlines that its documentation is extremely voluminous. Although any benchmarking with other audit assignments should be carefully detailed, the above figures show that with a single auditor, and possibly two in the near future for the final two years, the Commission's internal audit capability coverage is many times less than, for example, the audit capability provided by the United Nations for its regular budget, trust funds and technical cooperation activities.

69. The Board is pleased to note that, at the request of the Governing Council, the Commission has recently agreed, in concurrence with the Office of Internal Oversight Services, to share all future audit observations and recommendations with the Council together with the secretariat's comments, with a view to ensuring maximum transparency, and that it is the intention of the Commission secretariat to keep the Council informed of the findings of the Board of Auditors so as to make sure that the Council is promptly alerted.

70. The Compensation Commission does not have an audit committee, even though the size and risks of its operations might warrant the existence of one as an adjunct to the Governing Council.

71. The Board recommends that the United Nations Compensation Commission: (a) cooperate with the Office of Internal Oversight Services in conducting a risk assessment of its operations in order to determine major areas of risk in the processing of claims and payments; (b) recognize and meet internal audit staff requirements accordingly; and (c) consider the establishment of an audit committee.

72. The Compensation Commission confirmed that it did not in any way contest that the Office of Internal Oversight Services had authority to initiate, carry out and report on any action which it considered necessary to fulfil its responsibilities with regard to its monitoring, internal audit, inspections, evaluation and investigations, as set out in Secretary-General's bulletin ST/SGB/273 dated 7 September 1994. However, the Commission is of the view that internal auditors should not review matters such as "the adequacy in qualitative terms of evidentiary standards established by panels of Commissioners", nor on other value judgements exercised by Commissioners in a "quasi-judicial capacity". The Commission is of the view that because of the discretionary nature of its mandate, it is in a position very similar

to such bodies as international courts and tribunals when it decides on the amount of compensation for which Iraq is liable as a direct result of its invasion and occupation of Kuwait.

73. However, Commission decisions result in financial awards paid through a special account established by the United Nations. United Nations financial rule 106.4 states that the purpose and limits of each trust fund, reserve or special account established shall be as defined by the appropriate authority, and that such funds and accounts shall be administered in accordance with the Financial Rules unless otherwise provided by the General Assembly. Since there has been no specific exclusion of the Commission by the Assembly, the Board is of the opinion that there is no legal limitation or prohibition of any review of the claims and the resulting awards by the Office of Internal Oversight Services, or of the admissibility, relevance, materiality and weight of the evidence supporting the claims.

74. In May 2002, the Office of Internal Oversight Services was still having difficulty obtaining prompt access to files. Replying to the grave concerns expressed to the Board by the Office, the Commission acknowledged with regret that there had been some instances where Commission staff, given their other pressing work deadlines, had hesitated to give immediate priority to requests by the resident auditor, but stated that whenever such cases had been brought to the attention of management, instructions had been promptly issued to staff requesting them to extend full and unhindered access and cooperation to the auditor. The Commission further stated that it was taking steps to provide documents retained by its consultants. The Board remains concerned that the restrictions and delays reported by the Office of Internal Oversight Services have hindered the effective internal audit of the \$35.9 billion in awards approved from the Commission's inception to the end of 2001, that such matters should have been resolved many years ago and that they should now be resolved at a level commensurate with the financial scale of Commission decisions forthcoming in its final years.

75. The Board recommends that the Compensation Commission allow the Office of Internal Oversight Services unrestricted access in order that it may review the admissibility, relevance, materiality and weight of the evidence supporting the claims and the resulting awards, including the evidentiary standards applied by the Commission and the commissioners for the verification and valuation of losses, and the payments.

Fraud

76. The Compensation Commission informed the Board that, as a matter of standard policy, it reports to the submitting entity cases of apparent attempted fraud, such as where two claimants provide the same document as evidence of a loss asserted in each of their claims or where supporting documents appear to have been altered.

Prevention of conflicts of interest

77. The Compensation Commission has mentioned conflicts of interest in the staff contracts only indirectly, in a reference to United Nations staff regulation 1.2 (m), which states that staff members shall not be actively associated with the management of, or hold a financial interest in, any profit-making, business or other concern, if it were possible for the staff member or the profit-making, business or

other concern to benefit from such association or financial interest by reason of his or her position with the United Nations. It does not have a specific requirement prohibiting staff involved in the awarding process from seeking immediate employment with the claimants or their representatives. Consultancy contracts do include a conflict-of-interest clause, but there is no monitoring of this risk, while such conflicts may indeed arise, since a number of international law and accounting firms have performed work on the claims, on behalf of either the claimants or Iraq. As the Office of Internal Oversight Services has also noted, the curricula vitae of consultants are not even always provided by contractors to the Commission; this further limits controls in this field.

78. The Commission has found no basis within the United Nations Staff Rules for the Commission to require departing staff to disclose their next employer prior to resignation or termination, but has indicated that, in the light of the Board's renewed expression of concern, the secretariat would seek the assistance of United Nations Headquarters in exploring possible ways and means of responding to those concerns.

79. The Board recommends that the United Nations Compensation Commission: (a) raise staff awareness of the conflict-of-interest clause through a specific annex to any contract; and (b) re-examine the policy of not prohibiting staff specifically involved in the awarding process from seeking immediate employment with the claimants or their representatives; the Commission agrees with the recommendations.

7. United Nations Fund for International Partnerships

80. The United Nations Fund for International Partnerships (UNFIP) had completed 10 funding rounds as at 10 November 2001, which involved a total of 222 projects and grant allocations valued at \$423.3 million. Of those grant allocations, 5 funding rounds involving 107 projects pertained to the biennium 2000-2001. For the biennium ended 31 December 2001, the United Nations Foundation released to UNFIP a total of \$197.7 million, of which \$192.9 million (98 per cent) pertained to project funds (fund QGA), while \$4.8 million (2 per cent) pertained to programme support cost (fund QAA).

Outstanding advances of implementing partners

81. UNFIP keeps project fund records separate from the accounting records maintained in the Integrated Management Information System. As at 31 December 2001, the financial statement, consistent with IMIS data, presented outstanding advances to implementing partners valued at \$88.9 million, while the UNFIP tracking database reflected a balance of \$75 million. Also, expenditure according to IMIS was \$169 million, as compared with \$197 million in the UNFIP records.

82. The Board's review disclosed that UNFIP defined implementing partners as United Nations agencies with which it had signed a memorandum of understanding. UNFIP tracks as advances all allocations issued for funds, programmes and specialized agencies and all allotments for Secretariat offices and departments. UNFIP considers as a reduction in advances to implementing partners the disbursements and unliquidated obligations reported in the quarterly utilization reports of implementing partners.

83. On the other hand, the Office of Programme Planning, Budget and Accounts maintains the receivables that reflect cash advances in the name of the entity or entities receiving the cash advance and for which IMIS has assigned payee codes. Remittances made and project funds utilized under the account entitled "Advances to implementing partners/accounts receivable" are recorded in IMIS only for project allocations approved for United Nations funds, programmes and specialized agencies. However, for projects approved for implementation by Secretariat offices and departments, allotment procedures apply. The Office of Programme Planning, Budget and Accounts considers only the cash disbursements reported in the quarterly utilization reports as reductions to outstanding advances of implementing partners.

84. UNFIP explained that its tracking database was a tool supporting its management of funds flows, its monitoring of financial project implementation and its initiation and tracking of IMIS transactions and ensuring proper financial closure of completed projects. It supports UNFIP in initiating the payment of correct amounts to the proper parties for recording in IMIS. The differences between the two records reflect a different classification of the same data.

85. The Board recommends that UNFIP, in conjunction with the Office of Programme Planning, Budget and Accounts: (a) harmonize the classification and definition of implementing partners; (b) ensure that the Office is furnished with an updated list of implementing partners; and (c) periodically reconcile records, taking into consideration the identified differences in reporting advances to implementing partners.

86. UNFIP accepted the recommendations as a basis for enhancing coordination at the working level. It agreed to review the draft financial statements, but will undertake the reconciliation of records, on a trial basis, at the time of the preparation of the next set of financial statements. UNFIP management also informed the Board that it would provide an updated list of implementing partners to the Office of Programme Planning, Budget and Accounts. UNFIP agreed to enhance the structure of its tracking database to enable the maintenance of key relationships to projects and to support the capability to create required reports.

Quarterly reporting of fund utilization

87. Following the recommendation of the Board in its report for the year ended 31 December 2000 related to standardizing the format of the quarterly utilization reports, in May 2001, UNFIP provided the implementing partners with a format/template to reflect total expenditure by budget line. UNFIP subsequently conducted meetings with finance officers of implementing partners to gain wider use of the suggested format.

88. In the Board's review of the quarterly utilization reports for the fourth quarter of 2001 submitted by 26 (84 per cent) of the 31 implementing partners of UNFIP, the Board noted that only 6 reports (23 per cent) were in compliance with the format/template, while 8 (31 per cent) did not conform to the standard format required by UNFIP, and 12 (46 per cent) were IMIS-generated status-of-allotment reports. The IMIS reports provided information on total pre-encumbrance, unliquidated obligations, disbursements and expenditures for the reporting quarter but not for the period.

89. Bearing in mind the way that staff utilize the information provided in quarterly utilization reports, UNFIP has decided to substitute IMIS reports for the quarterly utilization report requirement. In addition, UNFIP will look into the capability of IMIS to provide the information in a format that will facilitate the updating of the UNFIP tracking database so as to reduce manual input.

90. The Board commends the efforts undertaken by UNFIP to develop uniform and substantive reporting on the status of project funds. The Board is concerned, however, that proper monitoring and accounting of project funds will not be facilitated if implementing partners continually fail to use the suggested format or do not reflect in their alternative reports the minimum information requested.

91. The Board recommends that UNFIP encourage all implementing partners to submit quarterly utilization reports using the suggested format.

92. UNFIP informed the Board that it was also exploring ways of introducing web-based reporting whereby implementing partners can report online on the utilization of funds. In this regard, UNFIP is attempting to obtain resources from interested donors and the United Nations Foundation.

Audit certificates required for completed projects

93. The memorandum of understanding between UNFIP and the implementing partners requires the latter to submit audited financial statements within 12 months of the completion of each project. Audited financial statements serve as the basis for the Office of Programme Planning, Budget and Accounts to close any unexpended account balances for each completed project.

94. The Board's review of UNFIP records showed that, of the 62 projects completed as at 31 December 2001, 53 (85 per cent) had been executed by United Nations funds and programmes that are audited by the Board of Auditors. Of the completed projects, 13 audited financial statements had not been submitted as at 31 December 2001, 10 of which had been expected from the Board. The Board considers that the audit opinion it issues substantially covers the accounts of the United Nations funds and programmes, including the projects they implement. It is therefore not necessary for the Board to issue an audit certificate on each project.

95. The Board recommends that UNFIP issue a new policy on the audit certificate requirement, taking into consideration the audit opinion issued by the Board of Auditors on the accounts of United Nations funds and programmes that are implementers of UNFIP projects.

Application of the "sunset clause"

96. One of the measures introduced to speed up the submission of project documents was a "sunset clause", whereby the funding of projects would be withdrawn if project documents were not submitted within 180 days of the approval of project funding by the United Nations Foundation. The Board examined the United Nations Foundation/UNFIP status of cash transfers (by tranche) for the period from May 1998 to December 2001 and noted that UNFIP did not apply the sunset clause to the 18 projects for which project documents had not been submitted within the prescribed period. UNFIP explained that the sunset clause was not applied to complex projects that required a longer time to review. The Board is

concerned that if complex projects are exempt from the sunset clause, it might become inoperative as a standard.

97. The Board recommended that UNFIP review and revise the criteria for application of the sunset clause, in cases where longer time frames were needed to bring project documents to the approval stage, and UNFIP agreed.

Final reporting for completed projects

98. On 18 July 2000, UNFIP informed implementing partners that final narrative reports for completed projects were due within 90 days of the end of project activity. The Board's review of the UNFIP report on completed projects disclosed that of the 46 final narrative reports due for submission as at 31 December 2001, only 21, or 46 per cent, had been submitted by implementing partners. The Board is concerned that the delay in the submission of final reports for completed projects affected the timely assessment of project execution and accurate reporting of the status of implementation of UNFIP projects. UNFIP attributed the delay to the option given to partners to submit the report either on 30 January following the completion of the project, to coincide with the date of submission of annual reports, or 90 days from the end of the project, whichever was later.

99. The Board recommends that UNFIP: (a) assess whether the granting of alternative dates for the submission of final reports addresses the low submission rate; and (b) take measures to ensure the timely assessment and accurate reporting of projects.

8. Write-off of losses of cash, receivables and other accounts

100. In line with financial rule 111.10 (b), the Administration provided the Board with details of cash, stores and other assets written off during the biennium ended 31 December 2001. The total amount of \$33.8 million written off is higher by \$23.5 million (228 per cent) than the \$10.3 million written off during the biennium 1998-1999. The increase was attributable to increases in the value of cash, receivables and property written off. Total cash written off rose from \$77 for the biennium 1998-1999 to \$38,562 for the biennium 2000-2001. From \$459,536 for the biennium 1998-1999, accounts receivable written off increased to \$622,478 (35 per cent) for the biennium 2000-2001. The value of property written off increased by \$23.3 million (236 per cent), from \$9.9 million for the biennium ended 31 December 1999 to \$33.2 million for the biennium ended 31 December 2001. The details of the assets written off for the biennium 2000-2001 are shown in table II.4.

Table II.4
Assets written off for the biennium 2000-2001 (in United States dollars)

<i>Organization</i>	<i>Cash</i>	<i>Receivables</i>	<i>Property</i>	<i>Total</i>
United Nations Headquarters	38 562	335 616	17 134 112	17 508 290
United Nations Office at Geneva		28 751	8 592 147	8 620 898
United Nations Office at Vienna		14 868	1 080 482	1 095 350
United Nations Office at Nairobi		11 551		11 551
United Nations Institute for Training and Research		9 748		9 748
Economic Commission for Africa		148 506		148 506
Economic Commission for Latin America and the Caribbean			932 538	932 538
Economic and Social Commission for Asia and the Pacific			21 610	21 610
United Nations Peace-Building Support Office in the Central African Republic			94	94
International Court of Justice			176 275	176 275
International Civil Service Commission			54 748	54 748
United Nations Administrative Unit, Baghdad			76 290	76 290
United Nations Guard Contingent in Iraq			789 522	789 522
United Nations information centres			436 090	436 090
United Nations Verification Mission in Guatemala		1 872	699 221	701 093
United Nations Military Observer Group in India and Pakistan		69 324	2 117 753	2 187 077
United Nations Special Mission to Afghanistan		2 142	338 254	340 396
United Nations Special Coordinator in the Occupied Territories		100		100
United Nations Truce Supervision Organization			733 375	733 375
Total	38 562	622 478	33 182 511	33 843 551

9. Ex gratia payments

101. The Administration informed the Board, in line with financial rule 111.4, that no ex gratia payments had been made for the general and related funds during the biennium 2000-2001.

C. Management issues

1. Integrated Management Information System

102. The Integrated Management Information System is an integrated system for the processing of and reporting on administrative action at all major duty stations. The major functionalities covered by the system are human resources management, post management, accounting, procurement, travel, payroll and budget execution. The system has been installed at the following eight major duty stations: New York, Addis Ababa, Bangkok, Beirut, Geneva, Nairobi, Santiago and Vienna. Other United Nations organizations and agencies, such as UNDP, the United Nations Populations Fund, the United Nations Office of Project Services, the International Trade Centre UNCTAD/WTO, the United Nations Framework Convention on Climate Change, the International Labour Organization and the United Nations Children's Fund (UNICEF) also use some of the IMIS modules.

103. During the biennium 2000-2001, the Board conducted a two-phased audit of IMIS to determine the degree of reliance that could be placed on IMIS and other systems interfacing with it. The Board referred to a comprehensive, generally applicable and accepted set of good information technology security and control practices called "control objectives for information and related technology". The first phase was the review of IMIS general controls implemented at United Nations Headquarters, the United Nations Office at Nairobi and the Economic and Social Commission for Asia and the Pacific (ESCAP). In establishing the scope of the general control review of IMIS, the Board considered previous reviews conducted by the Board and the existing IMIS policies and procedures, including the annual progress reports submitted by the Secretary-General to the General Assembly. The second phase was the review of application controls at United Nations Headquarters. The Board focused its review on control objectives for the management of data, operations and security. The conclusions derived from these general and application control reviews would guide the conduct of the final audit of the accounts of the United Nations and other organizations that implement IMIS.

Overall opinion about the general controls and application controls

104. The results of the review gave the Board an adequate basis upon which to form an opinion on the overall effectiveness of the general and application controls surrounding IMIS. While the Board identified areas for improvement in the computerized finance module and related non-computerized controls, the Board considers the manual compensating controls acceptable to the extent that they support the integrity and reliability of the financial statements taken as a whole. On the human resources module overall, the Board found the application and its architecture to be state-of-the-art and to operate at a very high level of performance. None of the Board's tests of control procedures on the payroll module revealed significant issues. The Board noted user security issues, which do not have a material impact on financial statements.

105. In determining the reliance it would place on the controls surrounding IMIS, the Board rated each of the 16 control processes for the four domains reviewed — planning and organization, acquisition and implementation, delivery and support, and monitoring, with emphasis on the management of data integrity and security. The Board used the following rating scale:

- Not satisfactory. There is a lack of any identifiable control or the organization does not even recognize that there is a control problem, or there is some recognition of the control issue but there are no standardized procedures but only ad hoc practices.
- Satisfactory. There is awareness and understanding of the need to address the problems, there are defined, standardized and documented processes, some measurement systems are emerging and there are only isolated cases of non-compliance.
- Very satisfactory. There is full understanding of the requirements to address the problem, processes are efficient and complete, best practices are applied with a view to continuous improvement and benchmarking and the use of technology is optimized.

106. The Board is of the opinion that the general controls implemented at United Nations Headquarters and the application controls included in IMIS version 4.1.12 and the related database from which the financial statements are generated are satisfactory. The satisfactory rating for IMIS application controls could be adopted in other IMIS installations. However, because of possible differences in the implementation and environment for general controls and since a similar comprehensive general control review was not undertaken at offices away from Headquarters, a rating could apply only to United Nations Headquarters. The Board noted a number of shortcomings in selected offices away from Headquarters that were evaluated, as discussed in paragraph 174.

Integrated Management Information System general controls

107. The Board's review of the general controls in IMIS covered selected control objectives on planning and organization processes, acquisition and implementation procedures, including controls over delivery and support processes, and monitoring controls. The Board prioritized the processes by selecting those that affected the information criteria directly related to integrity, availability, compliance and reliability and those that affected the most information technology resources, such as data, application systems, technology, facilities and people.

108. The Board's main findings on general controls are:

- (a) There is need to develop short- and medium-term information technology plans;
- (b) There are no defined processes or policies dealing with risk management;
- (c) There is no standard change authorization and management process;
- (d) The business recovery plan has not been updated since 1993.

Planning and organization: strategic information technology plan

109. The Board reviewed the report of the Secretary-General entitled "Information technology in the Secretariat: a plan of action" (A/55/780), which discussed the status of technology in the Secretariat and the integration of the information and communication technology into the strategic component of programme delivery. The report also contained a strategy for achieving the objectives and the substantive activities required to implement the strategy. The framework described in the report

provided reasonable overall direction for the implementation of an information technology plan of action in the Secretariat. The Board is concerned, however, that much would depend on the actual implementation of the planned actions to keep information technology strategic planning a living process. The action plans should be periodically translated into objectives guided by clear and concrete short-term goals. The General Assembly and the IMIS Steering Committee have closely followed up on the strategic development of the system and the major implementation milestones. Project plans have been drafted for major functional areas in duty stations.

110. The Board recommends that the Administration: (a) develop medium- and short-term information technology plans for IMIS that establish the work to be done, the task priorities and the resource allocation policy; and (b) provide information on development and maintenance costing and detailed time frames.

111. The Administration informed the Board that in terms of IMIS, medium-range plans were currently being formulated that would focus on the mandates of the General Assembly. These include the technological upgrade of the system and the implementation of IMIS in the peacekeeping missions and the International Tribunals. These plans will in turn be broken down in phases and include details of the short-term development and maintenance work to be accomplished.

112. The Board's review disclosed that a comprehensive study had been performed prior to the development of IMIS and that the selection of the technical platform had been done on the basis of what was known at that time. The Administration believed that the study took into account all relevant risk factors. The Board, however, noted that currently the Administration did not have generally defined processes and policies dealing with risk management. The Board's review of the four most recent progress reports on IMIS revealed very limited statements about risk management. The Board, therefore, is concerned that risk analysis was not performed on a continuing basis in the subsequent acquisition of IMIS solutions and the delivery of IMIS services, or whenever there were decisions to propose significant changes in the physical facility, hardware or operating system software of IMIS on a continuing basis.

113. The Board recommends that the Administration develop and implement a structured, Organization-wide risk-assessment process covering all information and communication technology environments that, inter alia: (a) clearly defines roles and responsibilities for risk management and accountability; (b) establishes a policy defining risk limits and risk tolerance; and (c) maintains organized risk information fed by incident reporting.

114. The Administration informed the Board that the Organization would develop and implement a risk-assessment technology within the programme of work for 2002-2003.

Acquisition and implementation

115. The Board noted that the process of developing and maintaining procedures was well managed, but that formally documented and approved procedures did not exist for the updating and maintenance of user, system, training and operational documents when new releases, versions or patches were implemented. There was no

standard process of change authorization, and approving authority was often not formally designated. The approval to initiate software change was in the form of e-mails, memos or help desk reports; at the United Nations Office at Nairobi, the memos were not sequentially numbered or had no reference number and were not accounted for periodically. For most enhancements, the approval was supported by the minutes of meetings of the technical and functional review team attached to the design change document, but in five cases at Headquarters, no minutes of meetings of the technical and functional review team supported the design change documents.

116. Because of a lack of resources, it has not been possible to ensure that all system, user, training and operational manuals are updated when new releases of the application software are implemented. The Administration informed the Board that users were designated to approve changes to the software and depending on the changes, they might seek instructions from their management on policy matters arising out of the changes. The designated users were chosen by their management on the basis of their functional and business expertise in their respective areas, and it was therefore up to them to exercise discretion in seeking instructions from their management. The Administration also commented that with the existing standard change-management processes, it was unlikely that unauthorized changes would take place.

117. The Board is concerned that the non-existence of formally documented and approved procedures for the updating and maintenance of user, system, training and operational documents when new releases, versions or patches were implemented will hamper the effective implementation of IMIS. The Board is also concerned that in the absence of a pre-established authorization guideline and formally designated authorized persons to approve programme changes, it will be difficult to determine whether the e-mails and the help desk reports are valid approval for such changes.

118. The Board recommends that the Administration: (a) document, within existing resources, complete procedures for updating and maintaining system, user, training and operational manuals when new releases, versions or modifications are implemented; (b) establish a programme change authorization guideline that would provide for a rapid and efficient planning, approval and initiation process covering the identification, categorization, impact assessment, change authorization and prioritization of changes; and (c) ensure that persons responsible for approving programme changes are specifically identified and formally designated.

119. The Administration informed the Board that it would establish a programme change authorization guideline that would include the specific identification and formal designation of persons responsible for approving the changes.

Delivery and support

120. The Board reviewed the delivery and support domain of IMIS with respect to the actual delivery of required services, ranging from traditional operations over security and continuity aspects to training, and noted the following:

(a) Approved procedures for managing performance and capacity did not exist;

(b) At United Nations Headquarters, the business recovery plan had not been updated since September 1993 and there were no provisions for testing the plan to ensure its effectiveness;

(c) Except for the recovery strategies contained in the IMIS manual, the United Nations Office at Nairobi had no comprehensive and updated IMIS disaster recovery plan;

(d) Neither the United Nations Office at Nairobi nor ESCAP had off-site back-up storage facilities. Their existing back-up media, documentation and other information technology resources were maintained and stored on their premises.

121. Part of the Board's review of security was to determine whether procedures for requesting, establishing and maintaining user access in the system existed. This review concluded in a security analysis report submitted to the Administration through the Information Technology Services Division that overall, security on the IMIS application and database was in line with the industry average. This average rating did not yet take into consideration the unique features and the generally satisfactory environment of IMIS. The Administration confirmed the non-existence of approved procedures for managing performance and capacity and commented that, although the operations team, jointly with the development group, assessed performance periodically, the review had not been done following pre-established procedures and the results had not been fully documented.

122. The Board recommends that the Administration implement performance- and capacity-monitoring procedures and develop a comprehensive IMIS disaster recovery plan.

123. The Administration informed the Board that it was currently in the process of implementing new technologies to support the IMIS production and development environment. Those new technologies would afford improved means of monitoring system performance and capacity. It would then be possible to prepare formal procedures for managing performance and capacity. Also, a business recovery plan would be prepared in the context of the 2002-2003 programme of work, and resources have been requested for that purpose in the programme budget.

Integrated Management Information System application controls

124. The Board's review of the application controls implemented in IMIS covered the latest version of IMIS, version 4.1.12, specifically the modules on finance, human resources, payroll and user security. In line with the objective of determining the extent of reliance the Board could place on IMIS for its final audit of the United Nations accounts, the Board's review of the application controls concentrated on the submodules, areas and transactions having a significant impact on the financial statements. For the finance module, the Board reviewed, among other things, the submodules pertaining to accounting operations, treasury and receipts, funding distribution, revenue and receivables, expenditure and payables, purchasing and consolidation of accounts of offices away from Headquarters. The Board also covered the interface of IMIS with the budget information system and the Reality procurement system.

125. The Board reviewed the five domains of the human resources module: (a) personnel administration, which is used to create and maintain profiles of applicants, staff and household members, including the database on salary, leave,

and post management features; (b) time and attendance; (c) entitlements, including education grant, rental subsidy, and insurance; (d) withhold/release for payroll, which includes salary advances and withholdings; and (e) personnel inquiry. The Board's review of the payroll module included the submodules for batch processes, personnel actions and salary-related processing. For all those submodules, the Board also covered security controls at the user level.

126. In reviewing the management of IMIS data, the Board gave emphasis to two information criteria: integrity and reliability. More specifically, the Board evaluated the controls for data preparation; document authorization; collection, handling and retention procedures; data input authorization procedures; accuracy and completeness checks; and data input error handling. For data-processing, the Board assessed the validation and editing controls, including data-processing error handling. For output controls, the Board's review included output handling and distribution, balancing and reconciliation and the protection of sensitive information during transmission and transport.

127. The Board's main findings with respect to application controls are as follows:

- (a) There is a possibility that collections may be recorded to incorrect accounts;
- (b) The system allows modifications of receipt details already saved in the database;
- (c) There is a risk of duplicate cheques being issued for one approved disbursement request;
- (d) There are no automated controls to monitor user overrides of processing entitlements;
- (e) The system allows the creation of duplicate profiles in the database;
- (f) Many users share approval passwords;
- (g) IMIS could be left unattended and remain open on the workstation for an indefinite period of time.

Finance module

128. *Applied deposits user session.* Under the applied deposits user session in IMIS, the Treasury records collections and the Office of Programme Planning, Budget and Accounts identifies the appropriate accounts to which the deposits should be applied. The Board noted that the Office could modify the data entered by the Treasury instead of having read-only access. The Board is concerned that if the details could be changed, the collection could be applied to the incorrect account. Moreover, since both the Office of Programme Planning, Budget and Accounts and the Treasury can change data, responsibility could not easily be assigned in the absence of a tracking mechanism that identifies the user who made the modification.

129. **The Board recommends that the Administration enhance the applied deposits user session to ensure that all information entered by the Treasury in the session are made available as read-only data and that the Central Accounts Section be responsible only for the classification of the collection deposited during the session.** The Administration commented that the current functions in IMIS were appropriate, given that an audit trail of action taken by the Office of

Programme Planning, Budget and Accounts was generated in IMIS, and that it would further review the recommended programme controls.

130. *Receipts user session.* The receipts user session of the IMIS, implemented at the Treasury, creates and prints the receipt documents for all collections received by the Cashier. In this case, the staff member receiving the payment stamps the supporting document, such as the statement of account, as “paid”. The receipt details created in the receipts user session are stored in the database and are associated with a deposit document in the deposits user session.

131. In the tests that were conducted, the Board noted that the receipt details, such as receivable type, identification of payer, cheque number and bank details and amount of money received, that are already saved in the database could still be modified as long as the receipt document has not yet been associated with a deposit document. IMIS would allow modification regardless of whether a receipt had already been generated and issued to a payer or third party or not. The Board further noted that the database stored the details of the last modification. This last update in the database becomes the basis for updating the related accounts through the applied deposits user session by the Central Accounts Section.

132. The Board is concerned that modifications, specifically after a receipt has already been issued to the payer, diminish the effectiveness of the confirmation control exercised by the third party and could also lead to inaccurate recording and the improper classification of accounts. The process might also prejudice the interest of the payer or third party as another receipt, containing different information, might be generated without the knowledge of the person who actually tendered the payment.

133. The Board recommends that the Administration introduce controls to ensure that no modifications of receipt details are allowed once IMIS has generated and/or printed the receipt documents. The Board also recommends that the Administration ensure that, if there is a need to modify the details of the receipt after an official receipt has been issued, the system should cancel the previously generated receipt, update the database to reflect the cancellation and create new receipt details, and print and generate a new document.

134. The Administration informed the Board that the Information Technology Services Division had agreed to coordinate with the Treasury to ascertain the requirements for the design consideration. The Administration also commented that the Treasury uses pre-numbered security paper for receipts. After printing the receipts, the Treasury files a portion of the security paper as a log of the receipts printed. The Administration further explained that by reviewing the log, the Treasury can always ascertain whether multiple receipts have been issued for the same receipt document, providing an additional control mechanism to ensure the integrity of receipt information. The Board is of the opinion that the review of the log is a detective control rather than a preventive control, which is the Board’s preference in this situation.

135. *Cheques generated through the IMIS cheque-printing system.* In general, IMIS generates a cheque for requests for payments through a disbursement interface software known as the IMIS cheque-printing system. Interviews conducted with Treasury personnel revealed that there were some exceptional cases of manually issued cheques. In the latter case, the cheque-printing system would still generate a

cheque to record the payment in IMIS. The IMIS database did not automatically identify those cheques that were voided.

136. The Administration accepted that the current procedure of manually voiding the cheques generated by the system was not 100 per cent fail-safe. The Administration commented, however, that the manual procedure and controls in place had been followed rigorously and, since the user session was introduced in 1996, there had not been a single incident of a duplicate payment's being made when a manual cheque was issued.

137. The Board is concerned that the procedure of manually voiding system-generated cheques, in cases where a manual cheque is prepared and issued to a payee increases the risk of manual error that may lead to duplicate cheques being issued for one approved disbursement or payment request.

138. The Board recommends that the Administration include validation controls and procedures in the IMIS cheque-printing system to ensure that the system does not generate a cheque for approved disbursements for which a cheque has already been issued manually. These control procedures may include: (a) capturing the details of the manually issued cheque until generation of the related accounting entries; and (b) indicating in the IMIS database that a manual cheque has been prepared for a particular approved disbursement line.

139. The Administration agreed to include the recommendation in the list of enhancements for the Treasury module. The Information Technology Services Division will coordinate with the Treasury on its implementation.

140. *Budget Information System interface.* Under the current system, the budget authority and funding documents for the regular budget are created through the budget information system and forwarded (uploaded) to IMIS through a process called the budget information system interface. The budget information system interface allows the processing of transactions only in the month in which the budget information system interface programme is executed. When there is a need to enter budget details and part of the allocation for the ensuing year in November or December of the current year, as happens when authorizations to incur commitments under a resolution relating to unforeseen and extraordinary expenses are issued, a command line procedure is used to work around the restriction on the timing of the budget information system interface processing.

141. The Board is concerned that in order to reflect the budget and allocations for the ensuing year in IMIS, the Integrated Management Information Service, rather than the system owner — the Programme Planning and Budget Division — processes the request. As a result, the segregation of incompatible functions is not adhered to when developers or system maintainers participate in production operations.

142. The Administration agreed to the Board's findings, but it is convinced that the manual controls are adequate. The Administration commented that the intervention of the Integrated Management Information Service personnel on this production update follows strict procedures.

143. The United Nations decided to replace the existing mainframe-based budget information system with an enhanced client-server approach for users at United

Nations Headquarters and with a Web-based system for users at offices away from Headquarters and other departments. The new budget information system has the following new features: the ability to perform analyses, improved data interchange between United Nations Headquarters and offices away from Headquarters, the incorporation of International Tribunal budgets, improved reports and worksheet generation based on access rights and the ability to perform ad hoc analyses on any data at any stage of the budget process.

144. The Board recommends that the Administration include the enhancement of the budget information system interface programme in the new budget information system to accommodate the requirement of posting budget data to the ensuing year and to eliminate the performance of incompatible functions, such as developers participating in database production operations.

Human resources

145. The Board noted that an authorized IMIS user could override the controls in the database to enter and approve any salary or allowance amount at unlimited levels. There is an override column for the associated entitlement, but it does not disclose the extent of the change introduced.

146. The Board recommends that the Administration consider the cost-effectiveness of introducing: (a) an automated control mechanism for the data entered in IMIS by overriding the former amounts; and (b) a mandatory field compelling users to enter the justification for any override before it can be validated.

147. The Office of Human Resources Management commented that although the use of the override function is left to the discretion and accountability of the IMIS administrator, the system should either prevent or flag, through an exception report, all overrides that exceed certain preset limits.

148. To give a staff member a higher grade, step or staff category, two IMIS users are required, one for entry and the other for approval. Promotions based on successful examinations can actually be entered in the files without an automated check of the data on examinations passed in the case of a promotion from the General Service to the Professional category.

149. The Board recommends that the Administration consider the cost-effectiveness of adding a control mechanism to block the entry of a General Service to Professional category promotion if the data indicating that the staff member has passed the examination has not been validated.

150. The Board noted that all staff members and the members of their households are given an index number. Creating duplicate file entries for the same person by using different index numbers is, in theory, impossible. In reality, records of children with identical names, birthplaces and birth dates can be created with different index numbers and approved; the system will reject the entry if the birth dates are identical, but this may be bypassed by modifying the original entry. The control of duplicate profiles when the data are entered is efficient, but there is none at the time of modification. The Board is concerned that the financial risk that two or more staff members may receive two or more simultaneous dependency allowances for the same child is high.

151. The Board recommends that the Administration extend full control over duplicates to all key data entries instead of limiting it to the initial entry.

152. The Board noted that the function “Modify dependent status” did not have any automatic test of plausibility: for example, a baby can be registered and receive a full-time student allowance from the day of his or her birth.

153. The Board recommends that the Administration consider the cost-effectiveness of implementing additional automated controls and reject implausible entries or post a warning in such cases.

154. IMIS relies purposefully on the strong segregation of functions, principally between data entry and approval. Access rights are granted by user groups. The Board noted, however, that many users accessed both data entry and approval functions for the same data. Besides, many users share approval passwords. The Board is concerned that this is not in compliance with the principles of segregation of incompatible functions, which are the foundation of IMIS reliability.

155. The Board recommends that the Administration review the distribution of functional packages to IMIS users in order to ensure the adequate segregation of incompatible functions and immediately discontinue the present practice of password-sharing in order to ensure the validity of recorded transactions in IMIS.

User security

156. IMIS could be left unattended and remain open on a workstation for an indefinite period of time. A user session is terminated at the discretion of the user upon his or her invoking the exit feature of the system. The Board is concerned that this could lead to the unauthorized disclosure of information and unauthorized system use. The information on the last successful login would enable the authorized users of the system to monitor unauthorized accesses carried out in their names. They would thereby know if an unauthorized user had gained access to the system through their access identification and allow them to inform the information security officer of the unauthorized access.

157. The Board recommends that the Administration implement additional login access controls, such as: (a) an automatic logoff feature in case IMIS is left unattended for a considerable length of time; (b) a warning message to unauthorized system users displayed upon requesting IMIS access; and (c) information on the last successful login displayed on the monitor upon validation of a valid access.

158. The Administration has agreed to determine the length of time within which the application system will automatically sign off if left unattended and to display a warning message to unauthorized system users on the IMIS Web-launcher screen upon request for access. The Administration commented that technical aspects of displaying information about the last successful login would be investigated because this information is not currently saved.

Other issues related to the Integrated Management Information System

Interface of the operations processing control system and the Integrated Management Information System

159. The operations processing control system is the system of record for all investment transactions for the Treasury and serves as the subsidiary ledger for investment accounts maintained in IMIS. The operations processing control system accounts for transactions on a gross daily basis, while IMIS records and reports net transactions monthly. The matching of data from the two systems resulted in the reconciliation of items and the occurrence of errors in the distribution of earnings. Based on documents provided by the Treasury, the Board noted that for the period from January to June 2001, monthly variances ranged from \$0.5 million to \$25.7 million. Although errors had already been corrected and the reconciliation of items had been settled as at 31 December 2001, the Board is concerned about the continuing independent implementation of the operations processing control system and IMIS workaround or manual interventions, and therefore the systems were susceptible to human error.

160. The Board recommends that the Administration consider interfacing the operations processing control system and IMIS, with the interface project comprising a composite group of representatives from, among others, the Accounts Division, the Treasury and IMIS.

161. The Administration informed the Board that since the operations processing control system accounts had been corrected and no serious errors had occurred during the last two months of the biennium 2000-2001, the project would be started once the conversion to release 5.1.3 of the operations processing control system was implemented.

Statement of account for receivables for the Integrated Management Information System

162. The IMIS reporting facility has the capability of generating under its standard financial reports module a statement of account for receivables. The Board's verification, however, disclosed that instead of using the IMIS-generated statement of account, the Office of Programme Planning, Budget and Accounts prepared the statements manually every month outside IMIS as the IMIS-generated statement of account did not pick up some general ledger accounts such as special receivables and deferred payable repatriation grant.

163. The Board is concerned that the IMIS-generated reports are not optimally used and that human intervention in the preparation of statements of account are more susceptible to error.

164. The Board recommends that the Office of Programme Planning, Budget and Accounts, in coordination with the IMIS reports team, use the IMIS function to efficiently generate statements of account.

165. The Administration will discuss the Board's recommendation with the IMIS reports team and, subject to availability of technical resources, will implement any changes that may be required.

2. Integrated Monitoring and Documentation Information System

166. The Integrated Monitoring and Documentation Information System (IMDIS) is a Web-based information service designed as a management tool to facilitate continuous and comprehensive monitoring of activities and outputs by programme managers at different organizational levels.

Reports generated by the Integrated Monitoring and Documentation Information System

167. Inaccuracies, incompleteness and delayed updating of data in IMDIS by users occurred in the Department of Economic and Social Affairs and the Department of Public Information. At the Department of Economic and Social Affairs, the Board noted that the IMDIS reports did not show essential information such as the number and date of decisions and resolutions, additional activities and field projects, start and end dates of projects and reasons and authority for the termination of programmed activities. The automatically generated record identifier assigned by IMDIS to the programme activities could not facilitate the procedure of tracing the report outputs to the system. At the Department of Public Information, the Board noted that, except for the inventory of programme output, no information had been entered into the programme performance report and that there were no parameters that would measure delays in programme implementation. In some cases the status of activities of both the Department of Economic and Social Affairs and the Department of Public Information classified as “not started”, “in progress” and “implemented” had not been correctly reflected in the IMDIS reports. The Board is concerned that the lack of integrity and reliability of the IMDIS data might compromise the decisions of programme officers who depended on the information. Data integrity relates to the accuracy and completeness of information as well as to its validity in accordance with business values and expectations.

168. The Administration informed the Board that new functions had now been added to IMDIS that would provide vital information on programme implementation to programme managers.

169. The Board recommended that the Administration review and enhance the capabilities of IMDIS, such as an improved search engine, to make it an effective tool in monitoring and reporting programmes, and the Administration agreed. The Board also recommends that the Administration ensure that programme managers regularly update and review the information on their programme implementation in IMDIS.

Conversion of consolidated data into the Integrated Monitoring and Documentation Information System

170. The Board noted that the Department of Public Information had its own reporting system designed to collect data on the programme activities of United Nations information centres. Each information centre prepared the data in a predefined format and sent it electronically to the Department. The data were analysed and checked for accuracy of code usage before the database was updated.

171. The Department of Public Information informed the Board that, based on feedback from IMDIS users, IMDIS was not the perfect tool for dealing with the 77 United Nations information centres and offices worldwide and that extending

IMDIS to the field would be cumbersome and would burden the information centres with yet another reporting requirement. The Department further commented that its database made it possible to monitor the activities of the information centres and to assist them with advice and guidance.

172. The Administration informed the Board that IMDIS would probably not serve its purpose of monitoring since it was difficult for the information centres to produce an advance comprehensive activity plan. Further, in its programme performance report for the biennium 1998-1999, the Department of Public Information had noted a number of errors in the conversion of consolidated data from its reporting system to IMDIS. A preliminary examination showed that the fastest and most accurate way to transfer statistics from the Department's database to IMDIS was by running reports on types of activity and themes that automatically generated totals. Those figures would be entered manually into IMDIS. To get a definite answer regarding the feasibility of creating a reliable interface, the Department will request the assistance of the Department of Economic and Social Affairs and the Office of Internal Oversight Services. The Department of Public Information commented that in preparing the report of the Secretary-General on programme performance of the United Nations for the biennium 2000-2001 (A/57/62), it had fully complied with the guidelines for accurate reporting in IMDIS set by the Office of Internal Oversight Services.

173. The Board recommends that the Administration consider interfacing the Information Centres Service reporting system with IMDIS. Until a cost-effective interface is established, the Board recommends that the Department of Public Information regularly generate consolidated data from its reporting system for 77 United Nations information centres and offices and input that information into IMDIS when preparing the programme performance report at the end of the biennium and that it review the consolidated data after conversion to IMDIS to ensure the accuracy and completeness of reported programme outputs.

3. Information and communication technology

174. The Board performed information technology audits on several United Nations organizations covered by the present report based in Europe as well as in New York, and identified common shortcomings in most of them. A strategy for the information and communication infrastructure and procurement was sometimes missing. The scope, budget, responsibilities and reporting of the information and communication technology units were not always clearly defined, such as at the Office for the Coordination of Humanitarian Affairs. Staffing in the information and communication technology units was not always sufficient. Project management and active applications were sometimes not sufficiently documented to allow for proper development, training and maintenance, such as at the International Tribunal for the Former Yugoslavia or the United Nations Compensation Commission. The management and review of access, passwords, access accounts and violation records were not sufficient in organizations such as the International Court of Justice, the United Nations Compensation Commission, the United Nations Office at Geneva or the United Nations Office at Vienna. Security measures and equipment in place did not always provide sufficient guarantees against the risk of intrusion, theft of equipment or fire, such as at the International Court of Justice and the United Nations Compensation Commission. Inventories of worldwide equipment were not

properly consolidated, such as at the Office for the Coordination of Humanitarian Affairs. Software licence protection was not enforced everywhere. In some instances, no continuity or disaster plan had been established, such as at the International Court of Justice and the United Nations Office at Vienna.

175. Most of the IMIS-serviced entities are using or are in the process of developing parallel systems, on the grounds that IMIS is not user-friendly nor able to easily provide financial and management information relating to extrabudgetary activities. This is the case, for example, of the Economic Commission for Europe (ECE), the Office for the Coordination of Humanitarian Affairs, the Office of the United Nations High Commissioner for Human Rights (OHCHR), and the United Nations Conference on Trade and Development (UNCTAD). In one case, the United Nations Office at Geneva at first dismissed the request of a Bonn-based entity to migrate to IMIS on the grounds that there were not enough Geneva staff to handle it.

176. At the same time, on a much larger scale, agencies like the Office of the United Nations High Commissioner for Refugees and a number of specialized agencies have made or are about to make significant investments in enterprise planning resources applications. The cost of such resources are sometimes in the range of several dozens of millions of dollars, and they are sourced individually but often from the same suppliers. There is little effective coordination. Efforts are therefore replicated in many places, at the risk of making redundant investments and of added interface difficulties between an increasing number of systems and databases, leading to a pattern of redundant systems.

177. The Board recommends that the United Nations Secretariat, in conjunction with all concerned United Nations entities, undertake a coordinated information and communication technology effort with respect to such components as information and communication technology management, security, continuity and disaster plans.

178. The Board also recommends that the Administration conduct a comprehensive review of IMIS users' satisfaction and expectations with a view to undertaking a coordinated effort to improve the cost-effectiveness of the overall investment in and expenditure on information and communication technology.

4. Office of Internal Oversight Services

179. The Board reviewed the operations of the functional units of the Office of Internal Oversight Services — auditing, investigation, monitoring and inspection, evaluation and consultancy at Headquarters — to determine: (a) the extent of compliance with generally accepted and practised internal audit standards and standards for information technology auditing; rules and procedures to be applied for investigation, monitoring and inspection, evaluation and consultancy functions; and the related Manual of Operations; (b) the accomplishment of audit plans in an efficient, effective and economical manner; and (c) the effectiveness of the computerized monitoring system of audit recommendations as a provider of timely, accurate, complete and reliable information.

180. As at 31 December 2001, the staffing of the Office consisted of 165 posts, including 125 Professional and 40 General Service posts. Of those, 74 are funded from extrabudgetary resources, including 33 resident auditor and investigator posts

from individual peacekeeping missions. For the biennium 2000-2001, the total budget of the Office was \$28.6 million, of which \$10 million was funded from extrabudgetary resources.

Information technology and information systems audit function and capability

181. During the biennium 2000-2001, the Internal Audit Division conducted 12 post-implementation information technology/information system audits, 3 of which were comprehensive. In 2000, the Division had five information technology/information system auditors, of whom only two remain; two were transferred to the Information Technology Unit in the Office of the Under-Secretary-General, and one was transferred to the Monitoring, Evaluation and Consulting Division. The Board is concerned that the present number of such auditors may not be adequate to provide regular audits of critical United Nations information technologies and systems.

182. The Internal Audit Division also informed the Board that in information technology/information system audits, it subscribed to Institute of Internal Auditors standards. The Division raised the issue of other applicable standards at the thirty-third meeting of the representatives of internal audit services of United Nations organizations and multilateral financial institutions for further review. The Board is of the opinion that a prerequisite for conducting information technology audits should be in observance of the relevant professional standards.

183. The Board recommends that the Office of Internal Oversight Services strengthen its information technology and information systems audit capability by further training financial and/or non-information technology/information systems auditors on general information technology audit competencies, following the approach recommended by the International Organization of Supreme Audit Institutions, and consider including in its internal audit standards those that pertain to information technology and information system auditing.

Documentation of work performance

184. The standards of the Institute of Internal Auditors provide that audit working papers should be prepared to document relevant information to support the conclusions and audit results. To facilitate supervisory review and document audit supervision, the working papers should be indexed and cross-indexed and signed or initialled and dated by the person conducting the examination as well as the audit supervisor. Of the 20 sample working paper files reviewed, the Board noted 4 that did not include documentation of internal control evaluation as is required in the revised audit management process and/or by the Audit Manual, such as the internal control review plan and a report on control weaknesses. Four of the seven working papers were not indexed and five were not cross-indexed, and nine working papers had no evidence of review. The Administration commented that the absence of certain documentation, such as flowcharts and system narratives, did not necessarily indicate that the internal control system evaluation had not been conducted. The internal auditors rely at times on alternative sources, such as existing documentation of the internal control structure available in proposed programme budgets, operational guidelines and administrative instructions. The Office of Internal Oversight Services would emphasize to section chiefs and auditors in charge that working papers are to be prepared and reviewed in accordance with the applicable

standards of the Institute of Internal Auditors and of the Internal Audit Division. The Administration will introduce periodic peer reviews of working papers on selected assignments to further enhance compliance with the standards.

185. The Board recommended that the Office of Internal Oversight Services ensure that the auditors: (a) properly document the review of internal controls; (b) organize the working papers with appropriate references and cross-references; and (c) retain the working papers for reference and evaluation purposes. The Office agreed with the recommendations. The Board also recommends that the Office ensure that reviews by audit supervisors are indicated in the working paper files.

Reporting of potential financial savings

186. The Audit and Management Consulting Division's Audit Manual provides that, where feasible, dollar amounts or other quantitative data — whether actual or estimated — should be cited to indicate the extent to which the organization's assets and other resources, liabilities, income or expenditures have been or could be affected by the condition.

187. The Office of Internal Oversight Services reported pecuniary savings of \$10.5 million in its annual report for 2001. On the basis of a sample reviewed, the Board noted that for three of the six reports sampled in 2000-2001, none cited the amount of the potential financial savings nor presented the calculation of how the amount was arrived at. The Office explained that the data necessary for the computation were not available when the reports were prepared, thus the estimate was determined when the recommendation coding sheet was prepared.

188. The Office further commented that there were times when it was not feasible to quantify the savings at the time the audit observation or draft report was issued, as in the cases cited. Moreover, it is the practice of the Internal Audit Division to cite the amount of estimated savings, if known, in the audit report, as also has been noted in three of the six cases. Potential savings for these sample cases were reported at values ranging from \$125,000 to \$1.16 million. Furthermore, the Internal Audit Division already requires the auditors in charge to cite the amounts of potential financial savings in the discussion of the findings with the auditees. The Internal Audit Division will re-emphasize this requirement to section chiefs, and will ensure that savings computations are disclosed in the final audit report whenever they can be estimated at the time of reporting.

189. The Board recommends that the Office of Internal Oversight Services document the basis and manner of computing savings. The Internal Audit Division commented that the savings calculations are in all cases documented in the working papers and reviewed by the concerned supervisor.

Investigation

190. The Manual of Operations of the Investigation Division has expressly defined the operating procedures that the Division should observe in pursuit of its mandate, which is to assist the Secretary-General in fulfilling his oversight responsibilities regarding the proper utilization of the resources and staff of the United Nations.

191. The Investigation Division informed the Board that it had closed a total of 827 cases during the biennium 2000-2001. About 331 (40 per cent) of the cases closed

were “for information” cases. They were not pursued because at the time of closure, there was not enough evidence to warrant further action.

192. The extract from the Investigation Division database provided to the auditors showed that the Division had prepared reports for 103 (21 per cent) of 496 closed cases, but not for the remaining 393 (79 per cent). The Board noted that for closed cases, the manual of operations did not include any guideline that determined the circumstances under which a report should be prepared. **The Board therefore recommends that the Investigation Division define the criteria for when reports should be prepared in respect of closed cases. The Office of Internal Oversight Services informed the Board that investigators prepared a report for every open investigation at the time each case was closed. The Office will work on preparing guidelines for communicating reports to external parties.**

5. Special political missions

Background

193. The Board of Auditors audited six missions under the Department of Political Affairs funded from the regular budget for the biennium 2000-2001. These were the United Nations Office in Angola, the United Nations Peace-building Support Office in the Central African Republic (BONUCA), the United Nations Peace-building Support Office in Guinea-Bissau (UNOGBIS), the United Nations Verification Mission in Guatemala (MINUGUA), the United Nations Special Mission to Afghanistan (UNSMA) and the United Nations Special Coordinator in the Occupied Territories (UNSCO).

194. The Board noted that for the biennium 2000-2001, the six field missions were allotted funds from the regular budget in the total amount of \$77.6 million. Expenditures totalled \$76.6 million (99 per cent), leaving an uncommitted allotment balance of \$1 million (1 per cent) as at 31 December 2001.

Field air operations

195. The Board’s review of the monthly aviation reports and aircraft use report summaries of UNSMA for the period from 1 September 2000 to 30 June 2001 disclosed that the Mission had not imposed any charges for the use of its aircraft by 119 non-mission personnel and the Office for the Coordination of Humanitarian Affairs in Afghanistan. On the other hand, UNSMA had been billed by the Office for the Coordination of Humanitarian Affairs for chartering the Office’s aircraft for the period from January to June 2001, but it did not record the amount billed in its books of accounts. In authorizing UNSMA personnel to use those aircraft, UNSMA management relied only on verbal reports from the aviation unit.

196. **The Board recommended that UNSMA adopt the necessary policies and procedures regarding the use of UNSMA aircraft and services by other United Nations agencies, as well as non-UNSMA passengers, including the assessment and accounting of fees and charges. The Board also recommends that UNSMA properly record in the books of accounts the aircraft utilization charges incurred by UNSMA for chartering aircraft of the Office for the Coordination of Humanitarian Affairs and other United Nations agencies.**

197. The Administration informed the Board that following the recommendation, the Mission: (a) had introduced a system whereby all outside entities were charged for the use of the Mission's chartered aircraft and all monies received from outside entities were properly collected and accounted for; (b) had been directed to determine the amount receivable from those who had used the aircraft prior to the introduction of the new system and had taken appropriate steps to recover the amounts; and (c) had validated and recorded in its books of accounts the charges received from the Office for the Coordination of Humanitarian Affairs.

Asset management and control system

198. The Board reviewed the non-expendable property of the six missions and noted a number of deficiencies that needed improvement to ensure a sound asset management and control system, such as:

(a) Inadequate documentation of transferred or handed-over assets (BONUCA, MINUGUA, UNSCO and UNSMA);

(b) Incomplete or absent physical inventory checks (UNSMA and BONUCA);

(c) Discrepancies between the actual count and data in the field assets control system as to the user name, the serial number and bar code of the property and acquisition cost or estimated current value of equipment (BONUCA, MINUGUA and UNOGBIS);

(d) Numerical errors in the amounts reflected in the inventory report in respect of equipment disposed of and transferred to other missions;

(e) The absence of inventory reports (UNOGBIS).

199. The Board is concerned that the deficiencies might compromise the integrity of the database on mission property, thus rendering the field assets control system and the accountability over missions' assets ineffective.

200. The Board recommended that the Administration: (a) ensure that all issuances and handovers of equipment are properly inventoried, adequately documented and supported with vouchers to facilitate verification and to assign accountability; (b) reconcile all differences in the physical count results, the shipment packing lists and the field assets control system; (c) update the field assets control system with respect to any reconciling adjustment; and (d) instruct missions to conduct a full-scale inventory and submit the required inventory report on a timely basis.

201. The Administration informed the Board that, following the Board's recommendation, BONUCA, MINUGUA, UNSCO and UNSMA had already taken appropriate steps to properly document transfers of property. BONUCA, MINUGUA, UNOGBIS and UNSMA have already conducted an inventory of non-expendable property, reconciled the discrepancies noted and updated the field assets control system. All four missions have committed to regularly updating the field assets control system to improve the quality of information held in it. UNOGBIS, however, could not yet determine the estimated costs of second-hand equipment, as those items had been transferred from other missions. The Board encourages UNOGBIS to pursue its efforts to determine the estimated costs of transferred property by closely coordinating with the original owners of the equipment.

6. Inter-agency services

Administration of the United Nations Office at Geneva

202. The United Nations Office at Geneva provides administrative and conference services to United Nations entities in Geneva, Bonn, Turin and related field offices and processes for them a payroll of \$43.5 million per month for some 8,900 United Nations staff members (as at April 2002). Its authorized staffing comprises some 1,180 posts with a budget of \$295 million in the biennium 2000-2001. Disbursements processed during the biennium 2000-2001 were over \$10 billion, including \$8.5 billion for the United Nations Compensation Commission. The Board focused on the latter and on services rendered by the Division of Administration. It found that such services had not been defined precisely, and that the entities serviced had never been listed. As regards management services rendered to some 15 United Nations entities to manage their extrabudgetary funds, by June 2002 memorandums of understanding (service-level agreements) with the Office for the Coordination of Humanitarian Affairs, the United Nations Framework Convention on Climate Change secretariat, UNDP and the United Nations Standards Coordinating Committee had been signed, and were under consideration with OHCHR, the United Nations Compensation Commission, the United Nations Convention to Combat Desertification secretariat, UNCTAD and UNICEF.

203. The Board recommends that the United Nations Office at Geneva clarify its responsibilities vis-à-vis other United Nations entities by listing the entities serviced and the services provided; update its files accordingly on the perimeter serviced and monitor the appropriate indicators; and pursue its plan of drafting memorandums of understanding with each concerned organization in order to clarify the content and reimbursement of services.

204. During the biennium, the United Nations Office at Geneva kept accounting records for 183 funds (6 general and related funds, 52 general trust funds, 82 technical cooperation trust funds, 4 funds held in trust and 39 special accounts). However, it administers only 69 of the funds; 23 funds in its accounting system are administered by the United Nations Environment Programme (UNEP) in Nairobi, and the other funds are administered by United Nations Headquarters in New York, which issues the allotments and produces the financial statements. The administration of 21 general trust fund accounts has not been transferred to the United Nations Office at Geneva, a factor that contributes to frequent failures in crediting earmarked income to the correct accounts. The ensuing delays impair the ability of the agencies to implement their programmed activities in a timely manner.

205. The Board recommends that United Nations Headquarters consider reducing administrative costs and delays by delegating the administration of all Geneva general trust funds to the United Nations Office at Geneva.

206. During the biennium 2000-2001, the payroll data were recorded and calculated on a mainframe payroll system and then transferred to IMIS and into the relevant general ledgers. As at 1 January 2002, part of the payroll had migrated to IMIS Release 4. The payroll master files were maintained in a different system structure and format. The Board is therefore not in a position to ensure that the 2000-2001 payroll data were correctly entered into IMIS; payments are in excess of \$0.5 billion a year.

207. The United Nations Office at Geneva Treasury was in charge of \$275 million in cash and investments as at 31 December 2001. Owing to the reduced size of Treasury (6 posts), the Treasurer may perform both front- and back-office tasks, although these are incompatible functions. The Treasurer at United Nations Headquarters agrees, and plans to review this issue with the Information Technology Services Division in conjunction with a review of disaster back-up systems and professional requirements of the Organization.

208. The Board recommends that the United Nations Office at Geneva review the resource allocation for the Treasury functions and ensure the proper segregation of incompatible functions.

209. The trial balance on the United Nations General Fund (UNA) records operations funded from regular budget appropriations of the United Nations Office at Geneva, ECE, the Office for the Coordination of Humanitarian Affairs, OHCHR and UNCTAD. However, it does not break down by entity such data as disbursements, unliquidated obligations, receivables or payables. The United Nations Office at Geneva explained that this was a feature shared by all trial balances relating to the General Fund. The only available breakdown is provided in the budget performance report and is therefore limited to allotments, disbursements and unliquidated obligations. In addition, the budget report, which is prepared through the budget information system — which is separate from IMIS but interfaced with it for transfers of allotment and expenditure data — contained numerous errors. For instance, as at 31 December 2001, in regular budget section 27, programme 6596, allotments amounted to \$84.89 million, total expenditure to \$17.96 million and the unencumbered balance to \$1,420, where it should have been \$67 million if the other figures were correct. The United Nations Office at Geneva has informed the Board that a recent IMIS upgrade has “presumably” solved the problem.

210. The Board recommends that the United Nations Office at Geneva, in close coordination with United Nations Headquarters, improve its financial and budgetary reporting.

211. Regarding information and communication systems, the Board noted, among other things, that: (a) the United Nations Office at Geneva did not have automatic cash consolidation between its two information systems, IMIS and the general accounting system; the substitute was manual cash management on a basic spreadsheet, but the information and tools applied to assess future spending were not reliable; and (b) the Office recorded any attempted security violation against its information systems, but did not review this information on a regular basis. Other findings common to other entities are reported above.

212. The Board recommends that the United Nations Office at Geneva develop, in close coordination with Headquarters, suitable tools for cash management in IMIS, and that it frequently review malfunctions and anomalies.

213. The Board has recommended, in its reports on the bienniums 1996-1997³ and 1998-1999,² that the United Nations Office at Geneva take appropriate remedial action in view of recruitment delays. In 2000, nearly one post out of four in the Professional category was still vacant in respect of extrabudgetary posts. The post vacancy rate declined in 2001, but, at some 11 per cent, it was still high for posts at the Professional level.

214. In its report on the 1998-1999 financial statements of the United Nations,² the Board of Auditors recommended that the Human Resources Management Service encourage departments to facilitate continuity and recruitment by promptly notifying it of their recruitment plans (para. 295). The Board is pleased to note that the average time elapsed from post classification to candidate approval for Professional staff has been lowered, but only from 236 days in 1999 to a still-high 210 days in 2001. The major factor in the delay is the review by the departments, which represents half of the elapsed time. Not accounting for the time elapsed between when a forthcoming vacancy is known and when the information is circulated, the average time was as indicated in table II.5.

Table II.5
Average time taken to recruit Professional staff

<i>Component</i>	<i>1999</i>		<i>2001</i>	
	<i>Days</i>	<i>Percentage</i>	<i>Days</i>	<i>Percentage</i>
Post classification	7	3	4	2
Circulation of vacancy	32	14	35	17
Pre-screening	23	10	25	12
Departmental review	113	48	108	51
Appointment and Promotion Committee review	27	11	14	7
Office of Human Resources Management review	34	14	24	11
Total	236	100	210	100

215. The number of cases for which the delay exceeds the six-month target set in 1995 had decreased, but remains high for Professionals, totalling 20 out of 52 appointments in 2000 (38.5 per cent) and 31 out of 56 in 2001 (55 per cent). However, this is better than the 54 out of 65 recorded in 1999 (83 per cent). It had taken over 500 days for OHCHR to recruit a systems analyst and for UNCTAD to recruit an economic affairs officer. Significant and endemic shortages of Professional-level staff also hindered the performance of the Division of Administration: the post of the Head of Division (D-2) had been vacant from July 2001 to February 2002; the post of Chief of the Financial Resources Management and Electronic Service had been vacant since 1997; the post of Chief of the Payroll Unit in charge of some 8,900 United Nations staff members had been vacant during the whole biennium 2000-2001; and the post of Chief of the General Accounts Unit, which comprises 3 Professional and 12 General Service posts, had been vacant since March 2002. Findings are that such vacancies affect the cost-effectiveness of the United Nations Office at Geneva and of the entities it services. Although the specific United Nations constraints have to be acknowledged, this compares poorly with international best practices.

216. The Board is pleased to note that the United Nations Office at Geneva generally agreed with its findings and recommendations and will follow up on their implementation, and that the Administration has introduced the new

Galaxy System, effective 1 May 2002, aimed at improving the recruitment process. The Board will review the implementation of the new procedures.

Administration of the United Nations Office at Vienna

217. The United Nations Office at Vienna provides administrative and conference services to several United Nations entities and related field offices. It had some 748 authorized posts, with a budget of \$139 million, in the biennium 2000-2001, and managed another \$41 million in extrabudgetary funds. A memorandum of understanding drafted in 1991 with one of the serviced agencies had yet to be signed 11 years later.

218. The Centre for International Crime Prevention, created in 1997, is headquartered in Vienna as part of the Office of Drug Control and Crime Prevention (ODCCP), which also includes the United Nations International Drug Control Programme (UNDCP), on which the Board presents a separate report.⁴ Despite a modest budget (\$4.8 million in regular budget resources and \$5.5 million in extrabudgetary resources under the authority of the United Nations Controller in New York), the Centre obtained only after the Board's audit, in March 2002, the financial reports of its main implementing partner, the United Nations Office for Project Services, due since 2000, echoing the similar difficulties encountered by the Office of the United Nations High Commissioner for Human Rights, as mentioned earlier in the present report.

219. The Board notes that the Centre's Tashkent field office has very little activity, and that the cost-effectiveness of the UNDCP Bratislava office remains in doubt, as mentioned in the Board's report on the Programme. UNDCP and the Centre are in the process of turning their offices across the world into joint ODCCP offices in order to improve synergy and cost-efficiency arrangements in this regard.

220. The General Assembly had for a long time approved the United Nations Office at Vienna budget with a single D-1 post of Chief of Conference Services. This function, however, is fulfilled by two D-1 officers, one for interpretation and meeting services and one for translation and editorial services. The unauthorized post has for many years been funded through the use of temporary assistance funds, at a yearly cost of some \$100,000.

221. The Board recommends that United Nations Headquarters and the United Nations Office at Vienna either reorganize the conference services under a single D-1 post to comply with the budget or submit an accurate staffing table for approval by the General Assembly.

Administration of the United Nations Office at Nairobi

222. The United Nations Office at Nairobi provides administrative and other support services to UNEP and UN-Habitat (formerly the United Nations Centre for Human Settlements (Habitat)) and other offices. It had some 452 authorized posts, of which 172 were funded from the regular budget and 280 from extrabudgetary resources. A total of 102 (23 per cent) are Professional posts and 348 (77 per cent) are General Service posts. For the biennium 2000-2001, the United Nations Office at

⁴ See *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 51* (A/57/5/Add.9), chap. II.

Nairobi received allotments of \$15.17 million from the regular budget and managed some \$30 million in extrabudgetary resources.

223. The Board's review of the procurement contracts at the United Nations Office at Nairobi disclosed that 4 of the 14 samples were approved after the effective dates of the contracts or on an ex post facto basis. The number of days between the date of approval and the effective date of the contracts ranged from 19 to 337 days. In the case of the contract with a delay of 337 days, the Board's verification of the minutes of the Local Committee on Contracts meeting revealed that the Committee had already noted the need to regularly renew the contract to ensure uninterrupted service. The processing of the contract renewal could therefore have been planned long before it was required and could have avoided the ex post facto approval.

224. The Board recommended that the United Nations Office at Nairobi, in coordination with the substantive offices, confine ex post facto approvals to justifiable and extremely necessary cases and ensure that approval procedures are in strict compliance with the provisions of the United Nations Financial Rules and the Procurement Manual. The United Nations Office at Nairobi agreed with the recommendation.

Automatic charging of substantive offices' accounts

225. In its sample review of 13 conferences that took place at the United Nations Office at Nairobi during 2000, the Board noted that in 12 cases involving \$2.4 million, charges were not automatically levied to the account of the substantive offices, as provided in an information circular issued on 30 September 1998 by the Division of Administrative Services of the Office. Consequently, the late charging also delayed the recording of income for conference services. The Administration informed the Board that as part of the concerted efforts aimed at improving the billing system, the present practice of invoicing for miscellaneous services (other than specific meetings) on a quarterly basis would be replaced by monthly billings. The United Nations Office at Nairobi added that with the implementation of IMIS Release 3 in July 2001 at Nairobi, timely billing and recording of income could be effected.

226. The Board recommended, and the United Nations Office at Nairobi agreed, that the automatic charging of the account of the substantive office be effected and that the income from conference services be recorded as soon as the job is completed.

7. Other agencies

Office of the High Commissioner for Human Rights, the United Nations Office at Geneva and implementing partners

227. The Office of the United Nations High Commissioner for Human Rights is among the entities serviced by the United Nations Office at Geneva. During the biennium 2000-2001, OHCHR expenditure amounted to \$38.8 million from its regular budget and \$57 million from 11 general trust funds. OHCHR had 181 posts, of which 148 were funded by the regular budget and 33 by extrabudgetary resources. Extrabudgetary resources are increasingly used to fund core and mandated activities of the Office that should remain within the regular budget. This practice blurs the line between the two sources of funding; OHCHR agrees and plans to improve

budget disclosure. Meanwhile, the Office is facing difficulties in tracking voluntary contributions as well as suffering from delays in the issuance of allotments by the United Nations Office at Geneva for projects funded from extrabudgetary resources.

228. At year's end, advances of \$17.5 million to executing (implementing) partners were yet to be supported by reports; \$2.15 million related to advances made prior to 31 December 2000, of which \$0.49 million related to advances made prior to 31 December 1999. Of the \$17.5 million, \$13.8 million related to UNOPS, even though there is no written agreement between the two parties: the last memorandum of understanding expired in 1998, and by May 2002 a new draft had yet to receive the United Nations Controller's agreement.

229. UNOPS reported to OHCHR its 1999 expenditures only in late 2000: they were accounted for in the 2000-2001 financial statements instead of in the previous biennium. UNOPS was again late in reporting its 2000 expenditure, which was submitted in August 2001, only after the United Nations Office at Geneva had been instructed on 30 July 2001 by the United Nations Controller to withhold immediately any further transfer of allocations to UNOPS. As regards 2001, the UNOPS second semester expenditure report had not yet been received by the United Nations Office at Geneva as at 24 May 2002, despite a request to do so by 15 January 2002 in order to take it into account in the 2000-2001 financial statements. UNOPS had sent it in March 2002 to OHCHR, which had not yet forwarded it to the United Nations Office at Geneva.

230. In April 2002, OHCHR transferred to UNOPS \$4.5 million, despite the unjustified balance of \$13.8 million at year's end, while there remained major differences between the amounts reported in various databases. The Board notes that OHCHR plans to transfer all headquarters-based projects from UNOPS to the United Nations Office at Geneva.

231. The Board recommended that OHCHR draft a memorandum of understanding with UNOPS to cover the remaining operations entrusted to UNOPS. OHCHR agreed with the recommendation.

United Nations Interregional Crime and Justice Research Institute

232. The United Nations Interregional Crime and Justice Research Institute (UNICRI), based in Turin, Italy, is part, along with 15 various entities, of the United Nations Crime Prevention and Criminal Justice Programme Network operated by the United Nations Office for Drug Control and Crime Prevention. It has 14 authorized posts, with expenditure of \$4.7 million for the biennium 2000-2001 and a fund balance of \$5.5 million as at 31 December 2001. It does not receive any funding from the United Nations regular budget. ODCCP decided in 1999 to promote a policy whereby UNICRI would assist it as its research body, without modifying the statutory mandate of UNICRI to carry out field activities. Cooperation between UNDCP and UNICRI was limited in the biennium 2000-2001 to six projects (\$654,217). While UNICRI is to be funded by voluntary contributions from several Member States, it is almost exclusively financed by the host country (85 per cent of the contributions in the biennium), and the bulk of its projects is implemented at the request of local authorities.

233. The Director of UNICRI is appointed by the Secretary-General, but the terms of the authority delegated to the Director have never been specified. As a result, the

extent of the authority granted to the Director remains unclear. The United Nations Office at Vienna exercises, in its own words, "some form or another of administrative control" in budgetary, human resources management and financial matters and approves and signs UNICRI financial statements. UNICRI and the United Nations Office at Vienna have agreed that UNICRI financial statements will now be signed by the UNICRI Director.

234. For accounting purposes, UNICRI has been operating as a Vienna-related field office since 1992. During the biennium 2000-2001, expenditures incurred locally through UNICRI imprest accounts were first recorded locally in the UNICRI local accounting system. Entries were faxed monthly to the United Nations Office at Vienna, which transferred them into IMIS. The United Nations Office at Vienna acknowledged that despite the care taken in entering data and verification by a second pair of eyes, it was clear that the risk of errors was increased. While acknowledging that this was not a mitigating factor, the Office said that peacekeeping field accounts were recorded by the Accounts Division at United Nations Headquarters in the same fashion. When expenditures are directly processed by the United Nations Office at Vienna (such as pension and medical contributions, salaries paid outside of Italy and inter-office voucher expenditures), UNICRI is not in a position to monitor its accounts and financial statements. With five Professional staff members posted in Turin for all its operations, it was further handicapped by the absence of the Finance Officer during almost all of the biennium 2000-2001. This did not allow for proper financial management or segregation of duties, but steps were being taken to remedy the situation.

235. The Board encouraged ODCCP and UNICRI to consult more closely in the planning of work programmes, and they agreed. The Board further recommended that the Administration review the structure and authority of the Institute.

236. During the biennium, UNICRI paid \$78,397 in salary and travel expenses to a consultant on the basis of a memorandum of understanding with a North American governmental penitentiary agency, which reimburses the direct costs but not the related administrative overhead costs. The consultant has been based in Paris since 2000 and has performed little or no work for the Institute beyond assisting on one meeting in Vienna in 2001. **The Board notes that, further to its observations made in December 2001, an investigation has been launched by the Office of Internal Oversight Services into this matter and that the North American state agency involved has recently agreed to a revision of the situation.**

International Civil Service Commission

Implementation of International Civil Service Commission decisions and recommendations

237. For the biennium 2000-2001, the International Civil Service Commission (ICSC) was provided funds from the regular budget of \$4.1 million, compared with \$3.8 million for the biennium 1998-1999. Its substantive and administrative work is carried out by its secretariat, which is composed of 40 staff, headed by an Executive Secretary. At its fifty-second session, in 2000, the ICSC secretariat noted that the information relating to the implementation of its decisions and recommendations was not complete since only half of the organizations had participated in the latest

implementation exercise. The ICSC secretariat informed the Board that the development of the electronic database completed earlier this year would facilitate replies to questionnaires on implementation and would enable it to better manage the reporting requirements of the organizations.

238. The ICSC secretariat informed the Board that decisions and recommendations involving other conditions of services (articles 13-15 of the ICSC statute) were not given as much attention by the organizations as the decisions on salaries and allowances (articles 10-12), which generally obtain a 100 per cent implementation rate. The ICSC secretariat further commented that there was nothing more that could be done except to follow up and rely on the assurance of the Secretary of the Consultative Committee on Administrative Questions (now the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination) that replies from the organizations will arrive in a more timely manner for the next review.

239. The Board notes that much time and effort and many resources are utilized in formulating decisions and recommendations, but it is concerned that there may be insufficient information on the status of implementation, although ICSC had also acknowledged that implementation reports were an essential feedback mechanism for understanding the impact of its work on the organizations.⁵

240. The Board recommends that the ICSC secretariat invoke the agreement accepted by the participating organizations under article 1.2 of the ICSC statute in order to obtain the necessary data on the implementation of ICSC decisions and recommendations.

Reporting cycle on the implementation of International Civil Service Commission decisions and recommendations

241. Article 17 of the statute requires ICSC to submit an annual report to the General Assembly including information on the implementation of its decisions and recommendations. The Board reviewed the annual reports from 1986 to 2001 and found that in 1986, ICSC had decided that comprehensive monitoring reviews should be carried out once every three years, with annual reporting reserved for significant or urgent unresolved issues, in particular with respect to personnel policies. In 1992, ICSC reported to the Assembly that the approach had been modified in the context of the biennialization of the work programme of the Fifth Committee.⁶ Starting in 1993, a comprehensive report on the implementation of ICSC decisions and recommendations would be submitted every two years. Further analysis of the annual reports from 1993 to 2001 disclosed that, except for 1997, the manner of reporting as well as the reporting cycle on the implementation of ICSC decisions and recommendations no longer coincided with the approach reported to the Assembly in 1992.

242. The Board recommends that the ICSC secretariat justify to the extent possible the adjustments of the ICSC agenda until it attains the regular biennial cycle for reporting comprehensive information on the implementation of ICSC decisions and recommendations. The agenda should correspond with the biennialization of the work programme of the Fifth Committee, which was

⁵ Ibid., *Fifty-fifth Session, Supplement No. 30 (A/55/30)*, para. 106.

⁶ Ibid., *Forty-seventh Session, Supplement No. 30 (A/47/30 and Corr.1)*.

the prime consideration in modifying the annual reporting as required under article 17 of the statute.

International Court of Justice

243. The Board has identified some deficiencies in the financial management of the International Court of Justice, such as in the administration of compensation, expenses and compensation for judges and of travel expenses. Approving officers acted as bank signatories, contrary to rules. There was no formal designation of petty cash custodians, no Local Committee on Contracts and no bank agreement to monitor interest and charges. The Board also notes insufficient control over the inventory and insufficient follow-up of costly publication stocks. The Court plans to address most of these deficiencies. It invokes a lack of adequate staff, but the Board noted that some staff time could be reallocated to the more urgent matters.

244. Publication costs were relatively high (\$0.6 million out of \$22 million total expenditure for the biennium 2000-2001), although the level of paid distribution is low, which calls for greater coordination with United Nations bookstores. Extremely long editorial delays diminish the interest of possible readers: for an intervening judgment pronounced in 1992, pleadings were not published until eight years later. The Court is considering electronic distribution, and its judgments since 1946 are to be made available on its web site soon.

245. The Court has no medium- or long-term plan for its information systems and no indicators to monitor the implementation of its annual short-term information technology plan. Information system security measures are deficient and call for reinforcements, which the Court has begun to implement since the Board's audit. The Board is pleased to note that the International Court of Justice agrees with the thrust of its findings, and encourages it to take appropriate action.

Office for the Coordination of Humanitarian Affairs

Central Emergency Revolving Fund

246. The Central Emergency Revolving Fund was established pursuant to General Assembly resolution 46/182 as a revolving cash-flow mechanism to ensure the provision of funds for United Nations organizations in the initial phases of emergencies. The Fund, managed by the Under-Secretary-General for Humanitarian Affairs, had an initial level of \$50 million and had a balance of \$62.8 million as at 31 December 2001. The advances made from the Fund still accounted for as receivable as at 31 December 2001 amounted to \$23.2 million. This amount included three old advances totalling \$1.2 million. For the first one, made in December 1995 to the former Department of Humanitarian Affairs for an emergency in West Africa, the Office for the Coordination of Humanitarian Affairs states that it was reimbursed in full in 1998, but the 31 December 2001 balance still mentions it as a receivable. The second one, made in December 1999 to the Office itself for an emergency in Kosovo, was eventually reimbursed in April 2002. Regarding the June 2000 advance to UNDP for Ethiopia, several reminders sent by the Office to UNDP have had no effect. The operational rules of the Fund (ST/SGB/251) stipulate that the Coordinator is required to obtain full reimbursement to the Fund within two years.

247. The Board recommends that the Office for the Coordination of Humanitarian Affairs resolve without further delay the issue of the Fund's advance still accounted for as receivable that the Office states was reimbursed in 1998, and further, noting that the two-year deadline has passed, that the Office obtain immediate reimbursement from UNDP.

248. In 2001, the Central Emergency Revolving Fund was used by only four United Nations entities. During the biennium 2000-2001, the Food and Agriculture Organization of the United Nations (FAO) was the first user, with 51 advances for a total amount of \$30.5 million (average of \$0.6 million each); UNICEF came second, with five advances for a total amount of \$28.2 million (average of \$5.6 million each). The multiplication of small advances to FAO increases administrative work, while the cost-effectiveness of the procedure is not guaranteed. Moreover, according to General Assembly resolution 46/182, advances are to be used to ensure the rapid and coordinated response of the organizations of the United Nations system (annex, para. 23). The concentration of advances from the Fund on one organization might contradict the coordinating purpose of the Fund. To reverse the decline in Fund use, a reform was adopted by the General Assembly in December 2001 (resolution 56/107) whereby the utilization of the Fund was extended to humanitarian assistance for natural disasters, protracted emergencies and staff safety arrangements.

249. At the time of the audit, the Office for the Coordination of Humanitarian Affairs had not yet updated the operating procedures of the Fund as set out in the Secretary General's bulletin of 22 July 1992 (ST/SGB/251). The Board reviewed the delays in releasing advances for the 33 advances made in 2001. The average delay was 15.5 days. In five cases, the procedure took more than three weeks. For a seed-production project, the funds were needed before the planting, scheduled for April; the funds were released on 25 May. Another project document indicated that the procurement of wheat seed must be implemented in July in order to collect the seed being harvested during that period from non-drought-affected areas of Afghanistan; the funds were released on 24 August. The Office for the Coordination of Humanitarian Affairs had no internal guidelines on the activities eligible for funding. The Board recognizes that to maintain the effectiveness of the Fund, a certain degree of flexibility is needed, but the lack of guidelines may be counterproductive: the response delay in one of the five cases was due partly to the time taken to determine whether the actions proposed were within the scope of the Fund.

250. The Board recommended that the Office for the Coordination of Humanitarian Affairs (a) review with the other United Nations agencies the procedural constraints that might limit the use of the Central Emergency Revolving Fund; and, (b) in consultation with the Controller, put in place a procedure to make sure that funds are released on time. The Office agreed with the recommendation.

Personnel

251. A P-2 post allocated to New York is utilized for a staff member based in Geneva, contrary to United Nations budget rules. The transfer from New York to Geneva of this post, relating to the secretariat of the Inter-Agency Standing Committee, had been requested but refused by the Advisory Committee on Administrative and Budgetary Questions when the latter questioned the need for an

Inter-Agency Standing Committee Unit in Geneva. The Board also noted that at the Office for the Coordination of Humanitarian Affairs Geneva office, despite a recommendation of the Office of Internal Oversight Services made in September 2001, seven staff members who had been recruited for an operational project were still working in the Geneva office; the United Nations Office at Geneva and the Office for the Coordination of Humanitarian Affairs have stated that they were about to regularize the situation.

252. Over a three-year period, a staff member has had 12 different contracts with an average length of three months funded from five different sources, although the staff member was performing regular long-term Headquarters functions. This practice contravenes all concerned rules and deprives the individual of social benefits based on seniority.

253. In a similar case, the Office for the Coordination of Humanitarian Affairs had circumvented administrative instruction ST/AI/1997/7 on recruitment procedures for Professional staff, which states that consultants shall not be appointed to any post in the Secretariat for a period of six months following the end of their service. But the Office stated that at the end of a special service agreement, one of its staff members was engaged by UNICEF on a six-month fixed-term contract and loaned to the Office on a non-reimbursable basis under the terms of an inter-agency agreement. The above arrangement appeared to the Office to be perfectly feasible and legal from the point of view of the United Nations staff rules and regulations, as evidenced by the concurrence of the Office of Human Resources Management in allowing the Office for the Coordination of Humanitarian Affairs to re-employ the staff member in June 2001 to cover another temporary exigency of the Office. Until April 2002, at the time of our audit, further short-term and fixed-term contracts followed. The Board expresses its concern that the inter-agency agreement might be so construed as to negate the staff rules and regulations. A change-management survey conducted by the Office for the Coordination of Humanitarian Affairs reported staff morale as being less than high, a situation correlated by management to the lack of viable and assessed funding, which pre-empts the granting of longer-term appointments and job security for its staff.

254. The Board recommends that the Office for the Coordination of Humanitarian Affairs review its human resources management policies and ensure compliance with United Nations regulations and rules.

United Nations Monitoring, Verification and Inspection Commission

255. In its resolution 1284 (1999), the Security Council established the United Nations Monitoring, Verification and Inspection Commission (UNMOVIC) as a subsidiary body replacing the United Nations Special Commission (UNSCOM).

256. The core staff of UNMOVIC at Headquarters comprises 64 Professional and 29 General Service staff. In addition, there are 180 names on the roster of trained experts to be available to serve UNMOVIC in Iraq.

257. In accordance with the approved organizational plan, the Division of Information is responsible for operating the export-import monitoring mechanism as well as the management of the UNMOVIC database. The Division is the main repository of information that will be used by the other divisions as the basis of the reinforced system of ongoing monitoring and verification. The Administration

informed the Board that the mandate of the Division of Information had been greatly expanded in the light of the adoption of Security Council resolution 1409 (2002) concerning the goods review list.

258. The Board inquired about the status of completion regarding the analysis and interpretation of documents and data received by UNMOVIC from UNSCOM. In April 2001, the Board noted that only about 50 per cent of the work of sorting, analysis and evaluation had been completed. As at June 2002, the Administration informed the Board that much progress had taken place in terms of the data that had been sorted and evaluated. Following the Board's recommendation, the Administration further informed it that it had developed a highly efficient integrated data-management system to review documentation and data inherited from UNSCOM.

Office of the Special Representative of the Secretary-General for Children and Armed Conflict

259. On the recommendation of the General Assembly (resolution 51/77 of 12 December 1996), the Secretary-General appointed a Special Representative for Children and Armed Conflict, in September 1997, with a mandate of three years. The mandate of the Special Representative was subsequently extended by the General Assembly until November 2003.

260. The Office of the Special Representative of the Secretary-General for Children and Armed Conflict is funded entirely through voluntary contributions, except for the Special Representative's salary and programme support costs equivalent to 6 per cent of allotments issued to the trust fund for children affected by armed conflict. The total income of the trust fund for the biennium 2000-2001 amounted to \$1.96 million, or a decrease of \$1.88 million (49 per cent), from \$3.84 million for the biennium 1998-1999. Total expenditures as at 31 December 2001 reached \$2.56 million, or an increase of \$0.55 million (27 per cent) from \$2.01 million as at 31 December 1999. The shortfall of \$0.61 million of income (\$1.96 million) over expenditures (\$2.56 million) during the biennium 2000-2001 reduced the reserves and fund balances of \$1.83 million as at 31 December 1999 to \$1.22 million as at 31 December 2001. The Office of the Special Representative informed the Board that in August 2001 it had signed a memorandum of understanding with the United Kingdom of Great Britain and Northern Ireland through its Department for International Development, whose terms included channelling its contributions to the core budget of the Office of the Special Representative through a separate UNFIP account. It further commented that total contributions for the Office of the Special Representative through both the trust fund and UNFIP accounts amounted to approximately \$2.98 million for the biennium 2000-2001, and total income in both accounts amounted to \$3.25 million.

261. The Board noted that, during its first mandate and as part of its advocacy activities, the Special Representative had conducted 17 country visits to help draw significant attention to the situation of children affected by armed conflict and to secure commitments from State and non-State parties. The Board's review of the accomplishment of those commitments disclosed that of the 36 commitments obtained, only 9 (25 per cent) had been fulfilled. The Board also observed that there was inadequate information about the situation of children in conflict areas.

262. The Board recommends that the Office of the Special Representative of the Secretary-General for Children and Armed Conflict strongly pursue the attainment and fulfilment of the commitments made and develop an effective information-monitoring system that will facilitate adherence to the commitments secured from State and non-State parties to conflict.

263. The Office of the Special Representative informed the Board that it had pursued several venues for strengthening its monitoring capacity in 2001, such as engaging a consultant in late 2001 to explore the feasibility of establishing an independent “observatory” to monitor the adherence of parties to conflict to their international obligations.

264. The Board’s review of the disbursements of the trust fund for children affected by armed conflict disclosed that from March 1999 to April 2001, the salary of the Special Representative was charged to the trust fund. This is not in accordance with the agreement made between the Special Representative and the Secretary-General at the time of the former’s appointment in 1997 that his salary would not be taken from the trust fund, a position supported by the donors of the fund. The Office of the Special Representative has concerns that continued recourse to the trust fund to pay the Special Representative’s salary might cause donors to raise questions regarding their contributions.

265. The Board recommends that the Office of the Special Representative of the Secretary-General for Children and Armed Conflict resolve the issue of the funding source of the salary of the Special Representative.

266. The Office of the Special Representative commented that, based on its discussions with relevant United Nations officials and with the group of donors on the payment of the Special Representative’s salary, it continued to be unlikely that any other source besides the Trust Fund would be found. Consequently, the Office of the Special Representative intends to include the salary in its core budget for 2003.

International Research and Training Institute for the Advancement of Women

Operations and financial position

267. Annual donor contributions to INSTRAW have declined steadily, from \$1.92 million in 1992 to \$0.83 million in 2001, representing a 57 per cent decrease. The steady decline in the voluntary contributions of donor countries have contributed largely to the low level of financial and institutional performance of INSTRAW in terms of its resources and programme implementation. Expressing concern over this financial crisis, which threatens the continued existence of INSTRAW, the General Assembly, in its resolution 54/140 of 17 December 1999, agreed to the proposed new working method and structure of INSTRAW through the establishment of an electronic Gender Awareness Information and Networking System (GAINS). The Secretary-General was requested to provide continued support to INSTRAW in setting up its new structure and method by encouraging voluntary contributions for the revitalization of the Institute.

268. For its part, INSTRAW evaluated its fund-raising strategy by reviewing its programme focus and establishing closer coordination with traditional donors and exploring linkages with other organizations. In 2000, INSTRAW accomplished the start-up and preparatory phase of GAINS, including the purchase and installation of

adequate technological infrastructure and engaging the services of contractors and consultants to design the web site. A slow pace in the implementation of phase II is visible from the lack of resources available for the GAINS project.

269. The Board reiterates its recommendations made in the bienniums ended 1997 and 1999 that the Administration exert efforts to contain the declining trend in the funding of INSTRAW.

Accounting and administrative support structure

270. The administrative, accounting and reporting structure of INSTRAW does not effectively support its financial management and reporting needs. According to article IV of its statute, the Director shall have overall responsibility for the organization, direction and administration of INSTRAW, oversee the execution of the work programmes and make the expenditures envisaged in the budget of INSTRAW, as adopted by the Board, and actively seek appropriate funding for implementation of the work programme of INSTRAW.

271. In the 1998-1999 and 2000-2001 audits, the Board raised concerns about the incomplete financial records, reports and files of the INSTRAW Accounting Unit and the non-availability of timely, accurate and relevant financial information. A comparison of recorded transaction at INSTRAW with United Nations Headquarters revealed differences due to charges and entries made at Headquarters that were not included in the inter-office vouchers on file at INSTRAW. Moreover, the accounting system at INSTRAW headquarters is not compatible with IMIS.

272. The unrecorded transactions illustrated the limited controls exercised by the Director of INSTRAW on the transactions affecting the Institute. This was aggravated by the fact that at the time of the Board's interim audit in 2001, financial reports had not always been received from United Nations Headquarters.

273. The Board is pleased to note that following its recommendation, United Nations Headquarters has changed its procedures and is now transmitting financial reports to INSTRAW on a regular basis.

8. Regional commissions

274. The Board's review of the accounts and operations of the five United Nations regional commissions — the Economic Commission for Africa, the Economic Commission for Europe, the Economic Commission for Latin America and the Caribbean, the Economic and Social Commission for Asia and the Pacific and the Economic and Social Commission for Western Asia — disclosed the following areas needing improvement, in addition to those already discussed in different portions of the present report:

(a) At ECA, there was only one memorandum of understanding concerning the occupancy and use of common premises, signed in November 1995 by the World Food Programme. Contracts for other tenants (both United Nations and commercial entities) could not be furnished for audit purposes. Moreover, certain tenants did not pay any rent for the occupation of space, and no invoices for those tenants could be furnished. With regard to the tenants who did not pay rent for the space occupied, it will be noted that they were already in the building at the time the Ethiopian Government donated the building to the United Nations. ECA management believes

that as part of the agreement with the Ethiopian Government, those tenants had office space rent-free and therefore they were not invoiced for the space occupied;

(b) The Asian and Pacific Centre for Transfer of Technology invested funds in three placements, of \$200,000, \$250,000 and \$101,654, without prior consultation with ESCAP and the Treasury at United Nations Headquarters;

(c) At ESCAP, programme support cost income of \$2.9 million and expenditures of \$2.0 million during the biennium 2000-2001 reflected savings and deficits among divisions and regional institutes, indicating that programme support cost resources had not been equally distributed. ESCAP informed the Board that, in consultation with the Office of Programme Planning, Budget and Accounts, ESCAP had prepared the draft guidelines on the allocation of programme support costs and envisaged finalization of guidelines after the fifty-eighth session of the Commission, to be held in May 2002. The new guidelines will be the basis for the programme support budget starting in 2003;

(d) At ECLAC, pledged contributions unpaid as at 31 December 2001 amounted to \$5.16 million, or 33 per cent of the total assets of \$15.6 million of ECLAC technical cooperation activities. While the total voluntary contributions of \$17.9 million for the biennium 2000-2001 covered total project expenditures of \$15.8 million, the Board is concerned that contributions that were not received when needed restricted fund availability and could affect the effectiveness of ECLAC in implementing projects. ECLAC explained that some projects operated on a cost-recovery basis, with a revolving fund of 20 to 30 per cent of the total project cost, which was replenished against the presentation of actual expenditure receipts. In one instance, the donor withheld payment until the submission of a report stated in the donor's currency, while in another, the issue of foreign exchange losses resulted in ECLAC not receiving the last instalment. In effect, ECLAC is pre-financing the expenditures of technical cooperation projects that should have been funded out of extrabudgetary resources.

275. The Board reiterates its previous recommendations that:

(a) **ECA furnish the reasons for the non-payment of rent by some organizations, as this is a loss of revenue, recover fully all costs incurred on behalf of tenants and establish valid agreements with all tenants.** As previously recommended, the United Nations agencies that are tenants have now signed a memorandum of understanding with ECA covering the space occupied;

(b) **ESCAP consult with the Treasury at Headquarters before making any single investment of more than \$100,000 in accordance with section 12.02 (VI) of the United Nations Finance Manual, and expedite the issuance of guidelines and procedures on the distribution of programme support cost income to its divisional units and regional institutes;**

(c) **ECLAC review the practice of pre-financing technical cooperation projects and ensure that it is not inconsistent with existing regulations and rules.** The Administration commented that, bearing in mind the increasing difficulty in raising extrabudgetary contributions, ECLAC has renewed negotiations with its donors in the search for change in the terms of future agreements, which might be especially difficult when signing agreements with international organizations that also have strict rules that in many instances run contrary to United Nations rules. In such cases, especially when dealing with payment schedules, ECLAC had either

dropped the project agreement or compromised by accepting 10 per cent of the total contribution, which was lower than the programme support cost reimbursements, upon submission of the corresponding report. ECLAC had established a working group that was reviewing and monitoring project negotiations with a view to enhancing the terms of agreements.

9. Department of General Assembly Affairs and Conference Services

276. A total of \$447 million was allotted for the Department of General Assembly Affairs and Conference Services in section 2 of the programme budget for the biennium 2000-2001. This allotment, which was 17 per cent of the final budget appropriation for the biennium 2000-2001, had been totally expended by 31 December 2001.

277. The Board reviewed the system applied by the Department in monitoring reporting and evaluating programme performance and noted that it had reported programme performance on its quantifiable outputs using traditional paper-based reporting. Only the General Assembly and the Economic and Social Council Affairs Division used IMDIS in monitoring and reporting its programme performance. The Administration commented that IMDIS did not allow for the entry of data on work statistics and, therefore, such statistics were reported in the traditional way. In terms of assessing the quality of services provided, the Board's interview with key personnel from the Central Planning and Coordination Service disclosed that the Department relied on written feedback from past clients as means of assessing the quality of services provided.

278. The Department informed the Board that as a servicing department providing conference and technical secretariat services, it found the application of a standard evaluation mechanism not totally relevant. It said that it had contracted with an outside consultant to undertake a comprehensive review of the workings of the Department.

279. The Board recommends that the Administration: (a) set specific standards or performance indicators to serve as guide in evaluating programme performance; and (b) initiate and design a feedback monitoring mechanism to assess and formulate strategies for improving the quality of conference and meeting services. The Administration commented that the Department was considering instituting a survey of delegations and/or bureaux of committees to address the need for a feedback mechanism.

Integration of computerized systems for monitoring, reporting and evaluating meeting statistics

280. The various divisions of the Department implement different office automation and database applications to service conferences and meetings and to monitor, report and evaluate meeting statistics. The Board's review disclosed that there were no established linkages among the related systems and databases. Changes, such as the addition, cancellation and changes in venues of meetings and conferences, are not automatically cascaded to the units involved in servicing the meeting.

281. Early in 2001, the Planning and Meetings Servicing Section of the Central Planning and Coordination Service analysed the interdependence within the Department and the need for integrated data and information exchange between and

among units of the Service and of other divisions. It is currently conceptualizing a phased approach to integrate the system.

282. The Board recommended that the Administration fast-track the establishment of an integrated computerized system that will link the databases of all the divisions, sections and units of the Department of General Assembly Affairs and Conference Services; the Administration agreed with the recommendation.

283. The Administration informed the Board that efforts to put in place an integrated computerized system linking the databases of all the divisions, sections and units of the Department was still in progress.

Electronic Documents Registration Information and Tracking System

284. The Board reviewed the features of the Electronic Documents Registration Information and Tracking System (eDRITS), a system used by the Documents Control Section to trace the status of the documents submitted by the requesting department/unit for processing by the Department of General Assembly Affairs and Conference Services. The Board observed the functions of the system in a demonstration conducted by the Documents Control Section and noted that the report-generating capacity of the system was limited to 1,000 reports. Thus, there is a need to consolidate manually all the outputs from eDRITS to arrive at the required statistics and reports. The Administration informed the Board that eDRITS had been converted from a Wang application to a Web-ready Sybase application in 1999.

285. The Board recommends that the Administration anticipate and plan for the expansion to a higher-capacity database system so that the number of reports that may be generated is not limited to a small number, taking into consideration the cost of such expansion compared with the system currently used. The Administration informed the Board that the design of the expansion of eDRITS was still in progress.

10. Consultants and individual contractors

286. The Board reviewed the process of hiring consultants and experts by some departments and offices at United Nations Headquarters, offices away from Headquarters and regional commissions and noted the following practices, which were inconsistent with established rules:

(a) The roster of consultants was either not maintained or not regularly updated (ECLAC, the United Nations Office at Nairobi and the Office of the Special Representative of the Secretary-General for Children and Armed Conflict);

(b) Some consultants were hired outside of the roster (ECLAC);

(c) Individual contractors have been hired continuously or their contracts bearing the same work assignments were renewed or extended to the same consultant (ECLAC, the Department for Disarmament Affairs and the Department of Political Affairs);

(d) Consultants were allowed to commence work even without a signed or approved contract. In some cases, contracts were signed and approved after the contract had ended or after the work had been performed by the consultants so that ex post facto approval had to be sought to regularize the hiring (the Department of

Economic and Social Affairs, the Department of Public Information and the Office of the Special Representative of the Secretary-General for Children and Armed Conflict);

(e) Terms of reference for the work assignments of consultants were either not submitted prior to the processing of their contracts of engagement or were incomplete. As such, there were no readily available records to show the scope of the work to be performed by the consultants and no documented basis for evaluating or assessing the quality of their work (the Department for Disarmament Affairs, the Department of Political Affairs and the Department of General Assembly Affairs and Conference Services);

(f) In two cases, consultants were paid even though the substantive offices had not yet completed an evaluation of their work (ECLAC);

(g) The selection process undertaken prior to the hiring of consultants was not documented (the Department of Political Affairs);

(h) The actual gender distribution ratio of consultants, 17:83, was below the General Assembly's goal of 50:50 (the Department of Political Affairs).

287. The Administration informed the Board that in the case of ECLAC, the roster of consultants had not been updated because of two unexpected vacancies in the Personnel Section in 2001, while the United Nations Office at Nairobi admitted to a lack of resources for the maintenance of a central roster of consultants. On the hiring of consultants, ECLAC and the Department of Political Affairs interpreted the restriction on hiring consultants not more than 24 months in 36 as including the effective time worked by the consultant as opposed to the calendar period during which the work was performed. On the practice of allowing consultants to commence work without an approved contract, the Administration explained that this had occurred due to the exigencies of service and committed to reducing such occurrences in future.

288. The Board recommends that substantive offices comply strictly with administrative instructions on hiring, remunerating and evaluating the performance of consultants and individual contractors.

289. The Administration informed the Board that the substantive offices had already taken steps to foster swifter compliance with administrative instructions.

11. Cases of fraud and presumptive fraud

290. The Administration provided the Board with information on eight cases of fraud and presumptive fraud (excluding those relating to peacekeeping operations and other United Nations entities for which the Board reports separately), involving a total sum of \$79,729 that had come to its attention during the biennium 2000-2001. Of this amount, \$11,134 (14 per cent) was recovered from the staff members concerned; losses of \$963 (1 per cent) were prevented due to sound document review procedures in place; while \$67,632 (85 per cent) has yet to be recovered, as summarized in table II.6. The details of these cases are set out in paragraphs 291 to 299 below.

Table II.6
Summary of amounts to be recovered in cases of fraud or presumptive fraud
(In United States dollars)

<i>Nature of fraud or presumptive fraud</i>	<i>Number of cases</i>	<i>Amount involved</i>	<i>Amount recovered</i>	<i>Amount unrecovered</i>	<i>Prevented loss</i>
Illegal use of United Nations facilities	1	28 778	0	28 778	0
Alteration of cheque	1	2 770	2 770	0	0
Fraudulent application for reimbursement of claims	4	43 212	8 105	34 144	963
Missing computers and printers	2	4 968.95	259	0	4 709.95
Total	8	79 728.95	11 134	62 922	5 672.95

Illegal use of United Nations Office at Geneva facilities

291. A former consultant of the United Nations Conference on Trade and Development for 1986, 1997 and 1998 illegally occupied two empty offices of the Palais des Nations from November 1999 to March 2000 and used photocopying and telephone facilities (after having fraudulently deviated the personal line of three high officials by substituting their secret code) for hundreds of national and international communications. Also, since September 1999, he made use of his user card at the Geneva Library for personal gain. The United Nations Office at Geneva Security Unit carried out an investigation of the fraudulent calls, and the former consultant was caught on 22 March 2000 by security inspectors while calling an external number. The total estimated loss to the United Nations would amount to \$28,778 (Sw F48,000). The United Nations was unable to recover any amount, as the former consultant was not financially capable of reimbursement. The Director of Administration of the United Nations Office at Geneva decided to file a criminal complaint with the Procureur général of the Canton of Geneva against the former consultant. The perpetrator was sentenced to five months' imprisonment by the Geneva Court (judgement of November 2001) but his appeal is currently pending.

292. The Board is concerned that there were some lapses in security within the United Nations Office at Geneva premises, as the former consultant occupied empty offices and used photocopying and telephone facilities for five months without being checked, and that the use of photocopiers and telephones was not properly monitored. The Board noted that the report on this case did not specify the required information on any action taken to remedy weaknesses revealed in the system.

Alteration of a cheque

293. In November 2000, the Treasury Section of the United Nations Office at Nairobi issued a cheque payable to Nairobi Hospital for 215,895.60 Kenya shillings (approximately \$2,770.00). The cheque was collected by a staff member of the United Nations Joint Medical Service on or around 19 November 2000 and was subsequently collected from the staff member's office by a representative of Nairobi Hospital at a later date. On 20 January 2001, as part of established procedures, the bank confirmed with the Treasury the authenticity of the cheque prior to paying. The confirmation revealed that the payee of the cheque had been fraudulently changed to the name of a certain individual. The cheque was initially honoured, but the funds

were later credited back to the United Nations Office at Nairobi account. The failing control system at Nairobi Hospital, the payment of the cheque rather than the use of electronic funds transfer and the number of people involved in forwarding the payment to the hospital facilitated the case. The case was referred to the Office of Internal Oversight Services on 30 January 2001. The Office has not confirmed what actions it took and whether any results had been obtained. Following the case of attempted fraud, the United Nations Office at Nairobi Treasury Section, effective 15 February 2001, established a new payment procedure for hospitals by which payment was done through bank transfer.

Fraudulent application for reimbursement of claims

294. A staff member at the United Nations Office at Nairobi fraudulently presented false documents for reimbursement of a medical claim. By implementing control mechanisms whereby documents are reviewed for authenticity, the Medical Service staff detected that the amounts in the claim were inflated by a total of 71,228 shillings (\$963). The Investigation Section of the Office of Internal Oversight Services reported the case to United Nations Office at Nairobi management. The United Nations Office at Nairobi is preparing a report on the case for submission to the Office of Human Resources Management at Headquarters in accordance with administrative instruction ST/AI/371 on revised disciplinary measures and procedures. The staff member was separated from the Organization prior to the completion of the investigation at the expiry of her fixed-term appointment.

295. In another case, an internationally recruited General Service staff member at the United Nations Office at Nairobi was charged with misconduct for the submission of fraudulent applications for the reimbursement of rental subsidy relating to the period from September 1999 through 2000 totalling 636,236.41 shillings (approximately \$8,105), while she was married to the alleged landlord. The case was detected by the Investigation Section of the Office of Internal Oversight Services, which had received a report about the alleged fraud. The Administration informed the Board that the alleged fraud was not due to weaknesses in the United Nations system but rather to dishonesty or misconduct by the staff member. The total amount was fully recovered, and the staff member was summarily dismissed by the Secretary-General. The case is pending with the Joint Disciplinary Committee in Nairobi.

296. A staff member in the Department of General Assembly Affairs and Conference Services submitted false invoices to claim reimbursement of taxi fares for late-night transportation in the amount of \$669. This case was reported to the Office of Human Resources Management by the Office of Programme Planning, Budget and Accounts and, at the request of the Controller, the Office of Internal Oversight Services conducted an investigation. The Office of Human Resources Management advised the Office of Programme Planning, Budget and Accounts of the decision of the Under-Secretary-General for Management to recover the amount from the staff member. Disciplinary measures were imposed in January 2002, following the waiver of referral to a Joint Disciplinary Committee. A letter of censure was issued and a fine of \$2,000, payable in five equal monthly amounts of \$400, was imposed upon the staff member. The Administration informed the Board that a working group composed of Office of Programme Planning, Budget and Accounts and Office of Human Resources Management personnel would be created to review existing administrative instructions on reimbursements.

297. A staff member of the Office for the Coordination of Humanitarian Affairs improperly received \$33,475 from the reimbursement of taxes. The Accounts Division discovered that the staff member had filed tax returns with national

authorities for the years 1996 to 1998 that differed from the copies he provided to the Organization. The staff member refused to cooperate in the ensuing investigation. The amount has not yet been recovered from the staff member pending confirmation by the Office of Human Resources Management of the implementation of the recovery effort. The staff member was summarily dismissed in July 2001.

Missing computers and printer

298. The Administration informed the Board that in 2001, 7 of the 15 computers acquired by a mission in 1998 could not be located. However, no individual responsibility has been established, since those personnel involved in the acquisition or replacement of the computers and the one who discovered the case of the missing computers had either left the mission or had died. Therefore, the recovery of the cost of \$4,709.95 (unit price of \$672.85), or even the estimated current price of \$1,400 (at \$200 each), appears unlikely. The Board noted that the property losses were attributable to inadequate internal control procedures over assets, such as the non-inclusion of the computers in the mission's inventory upon acquisition. The Administration informed the Board that sound internal control practices had been implemented. For example, all assets are duly received and inspected and are immediately recorded in the inventory system, and a verification logistics team has been created to inspect and take inventory of the assets and to enforce accountability for the custody and safeguarding of the mission's property.

299. In 1996, while investigating anomalies in the MINUGUA inventory of assets, an investigation committee found that a warehouse assistant had taken a printer to his home without authorization. The original purchase price of the printer was \$259, and the reasonable sale price at the time of the investigation has been estimated at \$20. The staff member returned the printer to the Mission. The Organization thereafter did not renew the fixed-term contract of the staff member. During its visit to MINUGUA, the Board observed that 23 printers had not been included in the inventory list and that there was a lack of records on the equipment. The Board recommended that the Mission conduct an investigation on the unaccounted-for property. The Board expresses serious concern that controls over field assets were inadequate to deter losses or unauthorized use of property.

D. Acknowledgement

300. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended by the Secretary-General of the United Nations, the Directors-General of the United Nations Offices at Geneva, Nairobi and Vienna, the executive secretaries of the regional commissions, the High Commissioner for Human Rights, the Registrar of the International Court of Justice and their officers and members of their staff.

(Signed) Shauket A. **Fakie**
Auditor-General, Republic of South Africa

(Signed) Guillermo N. **Carague**
Chairman, Commission on Audit, Philippines

(Signed) François **Logerot**
First President of the Court of Accounts of France

27 June 2002

Annex

Follow-up on action taken to implement the recommendations of the Board of Auditors in its report for the biennium ended 31 December 1999^a

1. The Board of Auditors has followed up on action taken by the United Nations to implement the Board's recommendations made in the context of its report for the biennium ended 31 December 1999. Table A.1 summarizes the status of implementation of all the previous recommendations, and table A.2 details specifically those recommendations not implemented and those recommendations under implementation that require comments.
2. Of the 36 audit recommendations contained in the report of the Board of Auditors on the accounts of the United Nations for the biennium 1998-1999, 26 (72 per cent) had been implemented and 10 (28 per cent) were under implementation.

^a *Official Records of the General Assembly, Fifty-fifth Session, Supplement No. 5 (A/55/5), vol. I, chap. II.*

Table A.1
**Summary of status of implementation of recommendations for the
 biennium 1998-1999**

<i>Topic</i>	<i>Implemented</i>	<i>Under implementation</i>	<i>Not implemented</i>	<i>Total</i>
A. Financial issues				
Budgetary control	para. 12 (a)	paras. 21 and 24	-	-
United Nations Fund for International Partnerships	paras. 41, 53 and 60	para. 49	-	-
Accounts receivable and payable	para. 12 (b)	-	-	-
Reimbursable costs of conference and meetings	para. 70	-	-	-
Revenue-producing activities	para. 74	-	-	-
Subtotal				
Number	7	3	0	10
Percentage	70	30	0	100
B. Management issues				
Integrated Management Information System	-	paras. 12 (c)-(e), 108 and 111	-	-
Arbitration and claims cases	paras. 12 (f)- (k), 196, 202, 227 and 234	-	-	-
Internal audit	paras. 12 (p) and (q)	para. 12 (o)	-	-
Property management at the United Nations Office at Geneva	para. 12 (l)	-	-	-
Programme management	para. 276	para. 12 (m)	-	-
Other issues	paras. 12 (n), 285, 289, 295 and 298	-	-	-
Subtotal				
Number	19	7	-	26
Percentage	73	27	-	100
Total				
Number	26	10	-	36
Percentage	72	28	-	100

Table A.2

Details on previous recommendations under implementation or not implemented for the biennium 1998-1999

<i>Management</i>			
<i>Component/area of concern</i>	<i>Recommendation</i>	<i>Specific management action/comments</i>	<i>Comments of the Board</i>
A. Financial issues			
Budgetary control, para. 21	Certifying officers, before approving trust fund expenditures, should ensure that funds are available. Budget officers should closely monitor trust funds to ensure that expenditures are within approved allotments.	<p>Implementation of this recommendation is ongoing, as budget officers follow up with their client offices during the course of budget implementation. Certifying officers would be able to monitor expenditures in “real time” as part of their normal budgetary monitoring and control responsibilities.</p> <p>The Assistant Secretary-General for Programme Planning, Budget and Accounts is responsible for implementing the recommendation.</p>	Under implementation. The Board will monitor the implementation of the audit recommendation in future audits.
Inactive trust funds, para. 24	The Office of Programme Planning, Budget and Accounts should take action to review trust funds whose purposes have long been attained in order to identify and close those that are inactive and no longer required.	<p>The Office of Programme Planning, Budget and Accounts will intensify its efforts to work with programme managers to ensure that the status of all trust funds is current. In addition to requesting annual cost plans for trust funds, the Programme Planning and Budget Division will also ask programme managers to review inactive trust funds in their area of responsibility. Should they determine that the purposes of the funds have been achieved and no further activities are envisaged, they will be required to initiate closure of those funds.</p> <p>The Assistant Secretary-General for Programme Planning, Budget and Accounts is responsible for implementing the recommendation.</p>	Under implementation. Addressed in paras. 31-35 of the present report.

Management

<i>Component/area of concern</i>	<i>Recommendation</i>	<i>Specific management action/comments</i>	<i>Comments of the Board</i>
United Nations Fund for International Partnerships, para. 49	UNFIP should closely monitor submission of the report on the status of project accomplishments by implementing partners.	<p>UNFIP continues to monitor the submissions by implementing partners. The status in 2002 of submissions for 2001 is as follows: 31 per cent were received by 31 January; 75 per cent were received by 28 February; and 93 per cent were received by 31 March.</p> <p>The Executive Director of UNFIP is responsible for implementing this recommendation.</p>	Under implementation. Addressed in paras. 88-91 of the present report.
B. Management issues			
Integrated Management Information System, para. 12 (c)	The Administration should implement fully, as a matter of priority, a consolidated database to facilitate the preparation of consolidated financial statements and to reduce the reliance on ad hoc reports, and the Office of Programme Planning, Budget and Accounts should ensure that all adjustments made in the preparation of the financial statements are approved and are supported by an adequate audit trail.	<p>Following the successful implementation of the IMIS Finance module (Release 3) at the United Nations Office at Nairobi in July 2001, the financial statements for 2001 were prepared, for the first time, using IMIS data as the source for all major duty stations.</p> <p>While the process for consolidation of data from offices away from Headquarters has been improved, a consolidated database of the system from which financial statements can be prepared remains the ultimate goal. The implementation of the recommendation for a consolidated database is therefore still in progress.</p> <p>The Assistant Secretaries-General for Central Support Services and Programme Planning, Budget and Accounts are responsible for implementing the recommendation.</p>	Under implementation. Addressed in paras. 103-106 of the present report.

Management

<i>Component/area of concern</i>	<i>Recommendation</i>	<i>Specific management action/comments</i>	<i>Comments of the Board</i>
Archiving of IMIS data, para. 12 (d)	The Administration should develop an archiving facility for IMIS as a matter of priority.	<p>The IMIS team has continued to work with the Office of Programme Planning, Budget and Accounts to determine the requirements for the batch processes for period closing and for establishing account balances as a prerequisite to the actual archiving process. It is expected that this will be completed in the second quarter of 2002 so that development work on the batches can then commence.</p> <p>The Assistant Secretary-General for Central Support Services is responsible for implementing the recommendation.</p>	Under implementation. The Board will keep this matter under review.
Monitoring of problems, para. 12 (e)	The Administration should review all outstanding test problem reports and system enhancement requests and draw up a comprehensive plan of action to resolve the underlying issues.	<p>During regular meetings with representatives of the users, outstanding technical problem reports and system enhancement requests have been reviewed. Currently, it is anticipated that the work plan for the remainder of 2002 will be established bearing in mind both such outstanding technical problem reports and system enhancement requests and the initial phases of the project for the technological upgrade of the system approved by the General Assembly. This will allow priorities to be established concerning the reports and requests to be addressed.</p> <p>The Assistant Secretary-General for Central Support Services is responsible for implementing the recommendation.</p>	Under Implementation. The Board will monitor the implementation of the recommendation in future audits.

<i>Management</i>			
<i>Component/area of concern</i>	<i>Recommendation</i>	<i>Specific management action/comments</i>	<i>Comments of the Board</i>
Electronically transferred inter-office vouchers, para. 108	The Office of Programme Planning, Budget and Accounts, in conjunction with the IMIS project team, should promptly address the problem of the high rate of rejection of inter-office vouchers to reduce or eliminate the manual encoding into IMIS of inter-office transactions from Headquarters and to obtain the optimum benefit of automation.	<p>Programming to further enhance the inter-office voucher import process to facilitate the processing of inter-office transactions between IMIS sites was completed in 2001. It was expected that testing will have been completed by June 2002. In the meantime, efforts to process inter-office vouchers on a more timely basis are continuing. As at 31 December 2001, total debits had been further reduced to \$4.96 million from \$5.70 million as at 31 December 2000, while total credits had gone up slightly, to \$1.97 million from \$1.31 million. However, the number of 1999 and prior-year outstanding inter-office vouchers had been reduced to 58 items as at 31 December 2000.</p> <p>The Assistant Secretaries-General for Programme Planning, Budget and Accounts and Central Support Services are responsible for implementing the recommendation.</p>	Under implementation. The Board will keep this matter under review.
Reports generated by IMIS, para. 111	The IMIS project team should take action to improve the design of interim reporting on unpaid assessed contributions during the second year of the biennium.	In order to further improve the design of the report generated from IMIS, an additional validation will be implemented in due course based on priorities and the availability of resources. It should be noted that for the preparation of the unpaid assessed contribution schedule included in the financial statements, correct input parameters were used, and the resulting ending balance accurately reflected the status of unpaid assessed contributions for the United Nations General Fund as at 31 December 1999.	An additional validation control will be implemented in due course. The Board will monitor this issue in future audits.

Management

<i>Component/area of concern</i>	<i>Recommendation</i>	<i>Specific management action/comments</i>	<i>Comments of the Board</i>
Review of internal audit; audit evidence, para. 245	The Audit and Management Consulting Division of the Office of Internal Oversight Services should ensure that working papers have been completed and reviewed in accordance with applicable standards, including indexing and cross-referencing, to enable supervisors to assess staff performance.	<p>The implementation of this recommendation is ongoing. The Internal Audit Division has taken appropriate steps to ensure that audit working papers have been completed, reviewed, indexed and cross-indexed in accordance with the applicable audit standards, and will introduce periodic peer reviews of working papers on selected assignments to further enhance compliance with standards. To further strengthen the audit evidentiary process, the Office of the Under-Secretary-General for Internal Oversight Services has secured funding for a project to automate working papers and has identified a vendor to provide the appropriate software. The Office of Internal Oversight Services will be piloting this project within the next several months.</p> <p>The Under-Secretary-General for Internal Oversight Services is responsible for implementing this recommendation.</p>	Under implementation. Addressed in paras. 184-185 of the present report.
Health insurance programmes, para. 12 (m)	The Administration should establish a system of periodic claims audit at the offices of the insurance companies so that it would have some reassurance that the claims were correct and representative of the actual charges made for medical care.	<p>The scope of work/terms of reference for a claims audit have been finalized and the specifications have been transmitted to the Procurement Division to conduct the request for proposal process. Based on the results of the procurement phase, it is expected that the claims audit will be undertaken this year.</p> <p>The Assistant Secretary-General for Programme Planning, Budget and Accounts is responsible for implementing this recommendation.</p>	Under implementation. The Board will monitor the implementation of the recommendation in future audits.

<i>Management</i>			
<i>Component/area of concern</i>	<i>Recommendation</i>	<i>Specific management action/comments</i>	<i>Comments of the Board</i>
Other issues, para. 289	ESCAP should request the lessees to adhere to their obligation to pay rent promptly in accordance with the lease agreement and ESCAP should in future consider including a penalty clause in the lease agreement/contract for delays or non-payment of rent.	Invoices to tenants that are United Nations agencies are issued every six months, and payments are being collected promptly. Invoices to commercial tenants (bank, travel agency, caterer) are issued every three months, and those payments are also being collected promptly. ESCAP will continue to monitor the collection of payments and consider if and when a penalty clause be required.	Under implementation.

Chapter III

Audit opinion

We have audited the accompanying financial statements, comprising statements numbered 1 to 26, the relevant schedules and the supporting notes, of the United Nations for the period from 1 January 2000 to 31 December 2001. The financial statements are the responsibility of the Secretary-General of the United Nations. Our responsibility is to express an opinion on them based on our audit.

We conducted our audit in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, and as considered by the Board of Auditors to be necessary in the circumstances, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Secretary-General, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, these financial statements present fairly, in all material respects, the financial position as at 31 December 2001 and the results of operations and cash flows for the period then ended in accordance with the Organization's stated accounting policies as set out in note 2 to the financial statements, which were applied on a basis consistent with that of the preceding financial period.

Further, in our opinion, the transactions of the United Nations, which we have tested as part of our audit, have, in all significant respects, been in accordance with the Financial Regulations and legislative authority.

In accordance with article XII of the Financial Regulations, we have also issued a long form report on our audit of the financial statements of the United Nations.

(Signed) Shauket A. **Fakie**
Auditor-General, Republic of South Africa

(Signed) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit

(Signed) François **Logerot**
First President, Court of Accounts of France

27 June 2002

Chapter IV

Certification of the financial statements

1. The financial statements of the United Nations for the biennium 2000-2001 ending 31 December 2001 have been prepared in accordance with financial rule 111.4. These include all funds except the special accounts for peacekeeping, the United Nations escrow account established under the provisions of Security Council resolution 986 (1995), the International Tribunal for the Former Yugoslavia and the International Tribunal for Rwanda, which are the subject of separate financial statements. The General Assembly, in its resolution 49/233 of 23 December 1994, established an annual financial period for peacekeeping activities covering the period from 1 July to 30 June, and financial statements are prepared accordingly. The financial statements for the United Nations escrow account are issued on a semi-annual basis.
2. The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. These notes provide additional information and clarification of the financial activities undertaken by the Organization during the period covered by the statements, for which the Secretary-General has administrative responsibility.
3. I certify that the appended financial statements of the United Nations, numbered I to XXVI, are correct.

(Signed) Jean-Pierre **Halbwachs**
Assistant Secretary-General, Controller

28 March 2002

Chapter V
Financial statements for the biennium ended
31 December 2001

Notes to the financial statements

Note 1

The United Nations and its activities

(a) The Charter of the United Nations was signed on 26 June 1945 and came into force on 24 October 1945. The Organization's primary objectives, to be implemented through its five major organs, are as follows:

- (i) The maintenance of international peace and security;
- (ii) The promotion of international economic and social progress and development programmes;
- (iii) The universal observance of human rights;
- (iv) The administration of international justice and law;
- (v) The development of self-government for Trust Territories.

(b) The General Assembly focuses on a wide range of political, economic and social issues, as well as financial and administrative aspects of the Organization.

(c) Under the direction of the Security Council, the Organization has been involved in various aspects of peacekeeping and peacemaking, including efforts to resolve conflicts, restore democracy, promote disarmament, provide electoral assistance, facilitate post-conflict peace-building, engage in humanitarian activities to ensure the survival of groups deprived of basic needs and oversee the prosecution of persons responsible for serious violations of international humanitarian law.

(d) The Economic and Social Council plays a particular role in economic and social development, including a major oversight role in the efforts of other organizations of the United Nations system to address international economic, social and health problems.

(e) The International Court of Justice has jurisdiction over disputes between Member States brought before it for advisory opinions or binding resolutions.

(f) The Trusteeship Council completed its primary functions in 1994 with the termination of the Trusteeship Agreement for the last United Nations Trust Territory.

Note 2

Summary of significant accounting and financial reporting policies of the United Nations

(a) The accounts of the United Nations are maintained in accordance with the Financial Regulations and Rules of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations and administrative instructions issued by the Under-Secretary-General for Management or the Controller. They also take fully into account the United Nations system accounting standards, as adopted by the Administrative Committee on Coordination. The Organization follows international accounting standard 1 on the disclosure of accounting policies, as modified and adopted by the Administrative Committee on Coordination, as follows:

(i) Going concern, consistency and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, the disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies that have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. These policies should normally be disclosed in one place;

(v) Financial statements should show comparative figures for the corresponding period of the preceding financial period;

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The Organization's accounts are maintained on a fund accounting basis. Separate funds for general or special purposes may be established by the General Assembly, the Security Council or the Secretary-General. Each fund is maintained as a distinct financial and accounting entity with a separate self-balancing double-entry group of accounts. Separate financial statements are prepared for each fund or for a group of funds of the same nature.

(c) The financial period of the Organization is a biennium consisting of two consecutive calendar years for all funds other than peacekeeping accounts, which are reported on a fiscal year basis covering the period from 1 July to 30 June.

(d) Generally, income, expenditure, assets and liabilities are recognized on the accrual basis of accounting. For assessed income, the policy set out in paragraph (j) (ii) below applies.

(e) The accounts of the Organization are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the Under-Secretary-General for Management. In respect of such currencies, the financial statements, prepared at such intervals as may be prescribed by the Controller under delegation of authority from the Under-Secretary-General for Management, shall reflect the cash, investments, unpaid pledges, and current accounts receivable and payable in currencies other than the United States dollar, translated at the applicable United Nations rate of exchange in effect as at the date of the statement. In the event that the application of an actual exchange rate at the date of the statement would provide a valuation materially different from the application of the Organization's rate of exchange for the last month of the financial period, a footnote will be provided quantifying the difference.

(f) The Organization's financial statements are prepared on the historical cost basis of accounting and are not adjusted to reflect the effects of changing prices for goods and services.

(g) The Organization's financial statements are presented in accordance with the ongoing recommendations of the Working Party on Accounting Standards of the Administrative Committee on Coordination (now the United Nations System Chief Executives Board for Coordination).

(h) The results of the Organization's operations presented in statements I, II and III are summarized by general type of activity and are presented on a consolidated basis for funds other than those that are reported on separately, after the elimination of all inter-fund balances and instances of double-counting of income and expenditure. Their presentation on a consolidated basis does not imply that the various separate funds can be intermingled in any way, since, normally, resources may not be utilized between funds.

(i) Separate financial statements are issued for the United Nations general and related funds, the United Nations escrow account, the International Tribunal for the Former Yugoslavia under the provisions of Security Council resolutions 808 (1993) and 827 (1993), the International Tribunal for Rwanda under the provisions of Council resolution 955 (1994) and the peacekeeping accounts, which are reported separately on a fiscal year basis covering the period from 1 July to 30 June.

(j) Income:

(i) The amounts necessary to finance the activities of the United Nations regular budget, the peacekeeping operations, the International Tribunals for the Former Yugoslavia and Rwanda, the United Nations Mission in East Timor and the Working Capital Fund are assessed to Member States in accordance with the scale of assessments determined by the General Assembly;

(ii) For purposes of the financial statements, income is recognized when assessments to Member States have been authorized by the General Assembly. Neither appropriations nor spending authorities are recognized as income except to the extent that a matching assessment on Member States has been levied;

(iii) Amounts assessed to non-member States that agree to reimburse the Organization for the cost of their participation in the United Nations treaty bodies, organs and conferences are credited to miscellaneous income;

(iv) Voluntary contributions from Member States and other donors are recorded as income on the basis of a written commitment to pay monetary contributions at specified times within the current financial period. In accordance with General Assembly resolution 44/192 A of 21 December 1989, voluntary contributions made in cash or in the form of services and supplies that are acceptable to the Secretary-General are credited to income or noted in the financial statements;

(v) Income from revenue-producing activities (including activities handled by outside contractors) is shown in the financial statements on a net basis, after the subtraction of directly related operating expenditures;

(vi) Income received under inter-organizational arrangements represents allocations of funding from agencies to enable the Organization to administer projects or other programmes on their behalf;

(vii) Allocations from other funds represent monies appropriated or designated from one fund for the transfer to and disbursement from another fund;

(viii) Income from jointly financed activities represents amounts charged to other organizations for their share of joint costs paid for by the Organization;

(ix) Income for services rendered includes amounts charged for staff member salaries and other costs that are attributable to providing technical and administrative support to other organizations;

(x) Interest income includes all interest earned on deposits in various bank accounts and investment income earned on marketable securities and other negotiable instruments. All realized losses and net unrealized losses on short-term investments are offset against investment income;

(xi) Miscellaneous income includes income from the rental of premises, the sale of used or surplus property, refunds of expenditures charged to prior periods, income from net gains resulting from currency translations, settlements of insurance claims, amounts assessed to non-member States as stated in (j) (ii) above, monies accepted for which no purpose was specified and other sundry income;

(xii) Income relating to future financial periods is recorded as deferred income in the current financial period, as referred to in item (m) (iii) below.

(k) Expenditure:

(i) Expenditures are incurred against authorized allotments. Total expenditures reported include unliquidated obligations and disbursements;

(ii) Expenditures incurred for non-expendable property are charged to the budget of the period when acquired and are not capitalized. The inventory of such non-expendable property is maintained at the historical cost;

(iii) Expenditures for future financial periods are not charged to the current financial period but are recorded as deferred charges, as referred to in item (l) (v) below.

(l) Assets:

(i) Cash and term deposits comprise funds held in demand-deposit accounts and interest-bearing bank deposits;

(ii) Investments include marketable securities and other negotiable instruments acquired by the Organization to produce income. Short-term investments are stated at the lower of cost or market value; long-term investments are stated at cost. Cost is defined as the nominal value plus or minus any unamortized premium or discount. The market value of investments is disclosed in the footnotes to the financial statements;

(iii) Cash pools comprise participating funds' share of cash and term deposits, short-term and long-term investments and accrual of investment income, all of which are managed in the United Nations cash pools. The investments in the

cash pools are similar in nature and are accounted for as set out in item (l) (ii) above. Income earned on the investments of the cash pools and the costs associated with the operation of the cash pools are allocated to the participating funds. The share in the cash pools is reported separately in each of the participating fund's statements. The composition of the cash pools is disclosed in a footnote to the statement;

(iv) Assessed contributions represent legal obligations of contributors and, therefore, the balances of unpaid assessed contributions due from Member States are reported irrespective of collectability. It is the policy of the United Nations not to make provision for delays in the collection of such assessments;

(v) Deferred charges normally comprise expenditure items that are not properly chargeable to the current financial period. They will be charged as expenditure in a subsequent period. These expenditure items include commitments approved by the Controller for future financial periods in accordance with financial rule 110.6. Such commitments are normally restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead times are required for delivery;

(vi) For purposes of the balance sheet statements only, those portions of education grant advances that are assumed to pertain to the scholastic years completed as at the date of the financial statement are shown as deferred charges. The full amounts of the advances are maintained as accounts receivable from staff members until the required proofs of entitlement are produced, at which time the budgetary accounts are charged and the advances settled;

(vii) Construction in progress is shown in the accounts as such until completion of the construction projects, at which time the completed construction projects, together with the cost of the land, are reflected as capital assets of the Organization;

(viii) Maintenance and repairs of capital assets are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendable property and leasehold improvements are not included in the assets of the Organization. Acquisitions are charged against budgetary accounts in the year of purchase. The value of non-expendable property is recorded in memorandum accounts and is disclosed in the notes to the financial statements.

(m) Liabilities, reserves and fund balances:

(i) Operating and other types of reserves are included in the totals for reserves and fund balances shown in the financial statements;

(ii) Unliquidated obligations for future years are reported both as deferred charges and as unliquidated obligations;

(iii) Deferred income includes pledged contributions for future periods, advance sales realized under revenue-producing activities and other income received but not yet earned;

(iv) The commitments of the Organization relating to prior, current and future financial periods are shown as unliquidated obligations. Current-period obligations related to the regular budget and special accounts remain valid for

12 months following the end of the biennium to which they relate. Obligations for most technical cooperation activities remain valid for 12 months after the end of each calendar year. Unliquidated obligations relating to amounts owed by peacekeeping operations to Member States may be retained for a period of five years beyond the end of the financial period. Unliquidated obligations relating to funds of a multi-year nature remain valid until the completion of the project.

(n) Technical cooperation activities:

(i) The technical cooperation financial statements report on activities financed by UNDP, UNFPA and other sources. The expenditure for the regular programme of technical cooperation funded under section 21, regular programme of technical cooperation, of the regular budget, together with corresponding amounts of contribution income, are also reflected in the technical cooperation financial statements;

(ii) The appropriation for the regular programme of technical cooperation of the regular budget is administered in accordance with the Financial Regulations of the United Nations. Unliquidated obligations for the regular programme of technical cooperation that are outstanding at the end of a financial period are transferred from the United Nations General Fund accounts to the technical cooperation accounts in the following financial period;

(iii) The allocation income from UNDP and UNFPA is determined taking into account interest and other miscellaneous income against total expenditure;

(iv) Trust fund contributions from Member States or other donors are recorded upon receipt of the contributions or written pledges;

(v) Miscellaneous income arising from regular budget activities is credited to miscellaneous income of the General Fund. Interest and miscellaneous income for technical cooperation trust funds are credited to the trust funds concerned;

(vi) Unliquidated obligations for the current period in respect of all technical cooperation activities other than the regular budget remain valid for 12 months following the end of the calendar year, rather than the biennium, to which they relate. However, in accordance with UNDP/UNFPA reporting requirements, executing agencies may retain unliquidated obligations beyond 12 months when a firm liability to pay still exists. Savings on the liquidation of prior-period obligations are credited to individual projects as a reduction of current-period expenditure in accordance with UNDP/UNFPA reporting requirements;

(vii) A system of average costing is used for UNDP/UNFPA projects whereby those elements of experts' actual costs that are unique to the individual expert are charged to UNDP/UNFPA projects at average cost. This is calculated by apportioning those costs over all UNDP or UNFPA projects in respect of which expert-months have been delivered in the current period;

(viii) The repatriation grant entitlement is calculated on the basis of 8 per cent of net base pay for all project personnel, except those subject to average costing;

(ix) Distribution of interest income for trust funds is calculated at years' end using the percentage participation of each fund based on the monthly average fund balance.

(o) Trust funds established by the General Assembly or the Secretary-General are of two types — general trust funds and technical cooperation trust funds:

(i) Accounts for general trust funds are maintained under the same accounting procedures as those adopted for the regular budget;

(ii) Accounts for technical cooperation trust funds and for the United Nations Development Programme/United Nations Population Fund general trust funds are accounted for on the same basis as described above for technical cooperation activities;

(iii) Extrabudgetary funds provided to reimburse the Organization for the use of its facilities are not treated as trust funds. Any unspent balances of such funds held by the Organization are included as part of accounts payable totals reported in the General Fund (statement V).

(p) The United Nations is a member organization of the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined-benefit plan. The financial obligation of the Organization to the Fund consists of its mandated contribution at the rate established by the Assembly together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are payable only if and when the Assembly has invoked article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date. As at the date of the current financial statement, the Assembly had not invoked that provision.

Note 3

All funds summaries: income and expenditure and changes in reserves and fund balances (statement I); assets, liabilities, reserves and fund balances (statement II); cash flow (statement III)

(a) Statements I, II and III contain financial results for United Nations funds, which are totalled into four groups of related funds and, after elimination, consolidated into a grand total reflecting all activities of the Organization. This consolidated presentation should not be interpreted to mean that any individual fund can be used for any purpose other than that for which it is authorized. The four groups consist of:

(i) General Fund and related funds, which include the United Nations General Fund (statement V), the United Nations Working Capital Fund (statement VI), the United Nations Special Account (statement VII) and United Nations jointly financed activities (statement VIII);

(ii) Technical cooperation activities, which include the financial results reflected in statement IX;

(iii) General trust funds, which include the financial results summarized in statement X;

(iv) Other special funds, which include other United Nations funds maintained for a variety of purposes (statements XI-XXVI).

(b) Statement I includes two calculations of the excess or shortfall of income compared with expenditure. The first calculation is based on income and expenditure only for the current period of the biennium. The second calculation shown is a net one, which includes any prior-period adjustments to income or expenditure.

(c) The cash flow summary statement is based on the indirect method of cash flow statements covered by international accounting standard number 7.

(d) Due to a change in the fiscal year for peacekeeping operations to 1 July to 30 June, those activities are not shown in the consolidated statements, but rather are shown separately in the peacekeeping financial statements.

Note 4

General Fund: statement of appropriations (statement IV)

In accordance with General Assembly resolutions 54/250 A, 55/239 A, 56/240 A and B, the revised budget appropriations and gross assessments for the biennium 2000-2001 are as follows (in thousands of United States dollars):

	2000	2001	Total
Original budget appropriation (resolution 54/250 A)	1 267 845	1 267 844	2 535 689
Revisions:			
Decreased appropriation (resolution 55/239 A)	-	(2 564)	(2 564)
Increased appropriation (resolution 56/240 A)	-	28 453	28 453
Decreased appropriation (resolution 56/240 B)	-	(391)	(391)
Total 2000-2001 revised budget appropriation	1 267 845	1 293 342	2 561 187
Original estimated income (other than staff assessment) (resolution 54/250 B)	21 194	21 193	42 387
Revisions:			
Increase in income (other than staff assessment) (resolution 55/239 B)	-	5 310	5 310
Decrease in income (other than staff assessment) (resolution 56/240 A)	-	(3 053)	(3 053)
Decrease in income (other than staff assessment) (resolution 56/240 B)	-	(1 099)	(1 099)
Total 2000-2001 revised estimated income	21 194	22 351	43 545
Total 2000-2001 revised budget appropriation less total estimated income	1 246 651	1 270 991	2 517 642
Assessment:			
Decrease in revised appropriation for the biennium 1998-1999 (resolution 54/247 A)	(41 602)	-	(41 602)
Increase in income (other than staff assessment) for the biennium 1998-1999 (resolution 54/247 B)	(3 775)	-	(3 775)

	2000	2001	Total
Balance of surplus account at 31 December 1999 applied in 2001 (resolution 55/239 C)	-	(25 396)	(25 396)
Approved appropriations and income assessments to be assessed at the fifty-seventh session	-	(32 214)	(32 214)
Gross amount assessed to Member States in the biennium 2000-2001 (resolutions 54/250 C and 55/239)	1 201 274	1 213 381	2 414 655

Note 5

General Fund (statement V)

(a) Cash and term deposits:

(i) The cash and term deposits figure shown represents the net total of all cash balances (including funds held in non-convertible currencies) less any overdrafts;

(ii) The following is the United States dollar equivalent of the non-convertible currencies held as at 31 December 2001:

Afghanistan afgani	\$23.90
Czech koruna	\$93,785.15
Egyptian pound	\$868.69
Hungarian forint	\$10,512.87

(b) Assessed contributions unpaid:

(i) In accordance with financial regulation 5.6, payments made by a Member State are credited first to the Working Capital Fund and then to regular budget contributions due, in the order in which the Member State was assessed;

(ii) Certain Member States have indicated that they do not intend to pay some of their assessed contributions or that such contributions will be paid only under certain conditions. A number of Member States have requested that attention be drawn to their positions as stated by their delegations at successive sessions of the General Assembly. They do not consider themselves bound to pay their estimated share of certain expenditure items included in the Organization's regular budget, such as the United Nations bond issue. Prior to 1975, withholdings by those Member States included their estimated shares of the United Nations Commission for the Unification and Rehabilitation of Korea and the United Nations Memorial Cemetery in Korea. Prior to 1968, there were withholdings for the United Nations Truce Supervision Organization;

(iii) Certain Member States have also stated that they do not consider themselves bound to particular expenditure items included in the United Nations regular budget, such as those for the Committee on the Exercise of the Inalienable Rights of the Palestinian People and the Special Unit on Palestinian Rights, the International Conference on the Question of Palestine, the International Conference on the Alliance between South Africa and Israel, the Preparatory Commission for the United Nations Conference on the Law of the Sea, the United Nations International School, the grants in aid to cover the

deficit of UNITAR, the International Conference on Kampuchea and the expenses involved in transferring extrabudgetary posts to the regular budget;

(iv) As a result of the positions taken by some Member States as outlined above, it is estimated that as at 31 December 2001, a cumulative total of \$58.0 million will have been withheld from the payments of two Member States. This estimate is included in the total contributions outstanding as at 31 December 2001 of \$250.8 million with respect to the regular budget;

(v) The assessed contributions receivable, as shown in the accounts for the period ended 31 December 2001, have been recorded in accordance with the Financial Regulations and Rules of the United Nations, the relevant resolutions of the General Assembly and the policy of the United Nations. With reference to the amounts shown as unpaid, certain Member States have indicated that they do not intend to pay some of the assessed contributions or that such contributions will be paid only under certain conditions. Based on United Nations policy, as stated in note 2, paragraph (l) (iv) above, no provision has been made for delays in the collection of outstanding assessed contributions;

(vi) The assessed contributions receivable shown in statement V exclude \$16.6 million in unpaid assessed contributions to the regular budget by China for the period up to 24 October 1971. Following the General Assembly's adoption on 25 October 1971 of resolution 2758 (XXIV), entitled "Restoration of the lawful rights of the People's Republic of China in the United Nations", that amount has been transferred to a special account under General Assembly resolution 3049 C (XXVII) of 19 December 1972;

(vii) The report on status of contributions as at 31 December 2001 (ST/ADM/SER.B/585, annex II) shows regular budget unpaid assessed contributions of \$239,547,797, and schedule 5.3 shows \$250,843,458. The unpaid assessed contribution from the former Yugoslavia amounting to \$11,235,656 is excluded from the report, as the former Yugoslavia ceased to be a Member State on 1 November 2000. However, no action has been taken in the accounts as there is no specific General Assembly resolution on the matter. In addition, schedule 5.3 excludes \$60,000 received from the Government of Colombia, as this contribution belongs to extrabudgetary activities. The remaining \$5 discrepancy is due to rounding.

(c) Accounts receivable. The following is an analysis of the accounts receivable included in statement V as at 31 December 2001 and 1999 (in millions of United States dollars):

<i>Accounts receivable</i>	<i>2001</i>	<i>1999</i>
Governments	3.9	8.5
Staff members	22.1	22.4
Vendors	5.7	8.2
Specialized agencies	6.8	15.9
Other entities	59.8	75.6
Other	1.3	0.5
Total	99.6	131.1

(d) Inter-fund balances reflect transactions between the United Nations General Fund and other United Nations funds that are normally settled in the subsequent period. Any inter-fund balance existing between the United Nations General Fund, the Working Capital Fund and the Special Fund are settled only when the liquidity of the General Fund permits. Inter-fund indebtedness with the General Fund is not restricted to direct transactions between the General Fund and other funds. Normal direct transactions between funds other than the General Fund are reported as indebtedness from the General Fund to the fund owed and indebtedness to the General Fund from the fund owing. The following table is a breakdown of inter-fund balances (in millions of United States dollars):

<i>Fund</i>	<i>2001</i>	<i>1999</i>
Inter-fund balances receivable		
United Nations jointly financed activities (statement VIII)	7.0	5.3
United Nations technical cooperation activities (statement IX)	26.1	22.2
United Nations general trust funds (statement X)	43.3	9.2
Special account for activities approved under Security Council resolutions 687 (1991), 706 (1991) and 1284 (1999) (statement XIII)	4.2	-
United Nations Mission in East Timor (statement XV)	2.5	10.7
Special accounts for programme support costs (statement XVII)	11.8	16.2
United Nations construction in progress (statement XIX)	0.3	1.8
United Nations funds held in trust (statement XXI)	0.4	9.3
United Nations escrow account established under the provisions of Security Council resolution 986 (1995) ^a	414.6	531.3
International Tribunal for Rwanda ^a	15.2	10.5
International Tribunal for the Former Yugoslavia ^a	5.1	5.7
United Nations peacekeeping operations ^b	110.4	99.8
Total	640.9	722.0
Inter-fund balances payable		
United Nations technical cooperation activities (statement IX)	42.3	42.1
United Nations general trust funds (statement X)	8.5	1.2
United Nations escrow account established under the provisions of Security Council resolutions 706 (1991) and 778 (1992) (statement XI)	-	-
United Nations Compensation Commission (statement XII)	127.3	248.2
Special account for activities approved under Security Council resolutions 687 (1991), 706 (1991) and 1284 (1999) (statement XIII)	1.7	5.9
United Nations Central Emergency Revolving Fund (statement XIV)	-	6.7
United Nations Mission in East Timor (statement XV)	-	8.5
Special multi-year account for supplementary development activities (statement XVI)	15.9	12.2
Special accounts for programme support costs statement XVII)	7.4	5.7
United Nations funds held in trust (statement XXI)	14.0	2.1

Integrated Management Information System (statement XXIII)	7.4	11.3
Special account for information technology and telecommunications services costs at Headquarters (statement XXIV)	10.5	-
Special account for common services (statement XXV)	0.2	-
Special account for travel services (statement XXVI)	1.3	-
United Nations escrow account established under the provisions of Security Council resolution 986 (1995) ^a	204.6	277.7
United Nations peacekeeping operations ^b	62.8	47.2
Total	503.9	668.8

^a The inter-fund balances for the Tribunals and the United Nations escrow account pursuant to Security Council resolution 986 (1995) are reported in separate sets of financial statements.

^b Inter-fund balances for peacekeeping operations are presented in the aggregate, as financial statements for peacekeeping operations are reported separately on a fiscal-year basis for the period from 1 July to 30 June.

(e) Deferred charges. The totals below provide a comparison of the amounts shown in statement V as deferred charges as at 31 December 2001 and 1999 (in millions of United States dollars):

<i>Deferred charges</i>	<i>2001</i>	<i>1999</i>
Education grant advances	6.9	9.0
Commitments against future years	26.9 ^a	44.0 ^b
Other	6.6	4.5
Total	40.4	57.5

^a Represents reserves for obligations from 2003 to 2011.

^b Represents reserves for obligations from 2001 to 2007.

(f) Non-expendable property. In accordance with United Nations accounting policies, non-expendable property is not included in the fixed assets of the Organization but is charged against the current appropriations when acquired. The following table shows the non-expendable property at Headquarters and overseas locations, according to the cumulative inventory records of the United Nations (in millions of United States dollars):

<i>Location</i>	<i>2001</i>	<i>1999</i>
Headquarters, New York	81.0	86.8
MINUGUA	6.1	7.9
United Nations Administrative Unit, Baghdad	4.4	3.9
International Court of Justice	1.4	2.2
United Nations Office at Vienna	5.7	5.4
UNEP and United Nations Office at Nairobi	18.3	13.1
UNCHS	1.9	1.4
United Nations Office at Geneva	31.9	33.5

<i>Location</i>	<i>2001</i>	<i>1999</i>
ESCWA	1.8	2.0
ECLAC, Mexico	0.7	0.6
ECLAC, Santiago	2.5	2.5
ESCAP	5.0	5.4
ECA	28.4	14.5
UNMOGIP	4.2	5.0
UNTSO	9.3	10.2
UNNSMA	1.3	1.4
United Nations information centre offices	5.5	4.9
UNOA	3.7	-
BONUCA	0.9	-
UNTOP	1.4	-
Total	215.4	200.7

The non-expendable inventory costs for the United Nations technical cooperation projects as at 31 December 2001 amount to \$174.9 million.

(g) Accounts payable. The following table provides a breakdown of the accounts payable figures that appear in statement V as at 31 December 2001 and 1999 (in millions of United States dollars):

<i>Accounts payable</i>	<i>2001</i>	<i>1999</i>
Governments	8.6	17.9
Staff members	9.7	4.2
Vendors	38.5	21.5
Specialized agencies	1.4	3.7
Due to other United Nations entities	34.1	29.9
Provisions for repatriation grant	4.9	5.3
Proceeds of awards pending disposition ^a	1.3	0.8
Other	9.7	6.5
Total	108.2	89.8

^a Includes awards from the Nobel Peace Prize, the Olaf Palme Prize and the Hastings Foundation.

(h) Deferred income. Deferred income as at 31 December 2001 and 1999 is shown in statement V as follows (in millions of United States dollars):

<i>Deferred income</i>	<i>2001</i>	<i>1999</i>
UNPA customers' subscription deposits	0.7	1.0
Other	0.3	6.0
Total	1.0	7.0

(i) Reserves and fund balances. The surplus account of the United Nations General Fund represents funds available for credit to Member States arising from unobligated balances of appropriations, savings in the liquidation of prior-period obligations, contributions from new Member States and other designated income. The balance of the surplus account at the end of the financial period is to be offset against future assessments in accordance with the provisions of financial regulation 5.2 (d) unless the General Assembly decides otherwise. The following table shows the composition of total reserves and fund balances at 31 December 2001 and 1999 (in thousands of United States dollars):

<i>Reserves and fund balances:</i>	<i>2001</i>	<i>1999</i>
Authorized retained surpluses as established by:		
General Assembly resolutions 2947 A and B (XXVII)	3 938	3 938
General Assembly resolution 36/116 B	45 480	
Less: write-off of arrears for South Africa ^a	19 100	26 380
General Assembly resolution 40/241 B	10 532	
Less: write-off of arrears for South Africa ^a	4 423	6 109
General Assembly resolution 42/216 A	154 881	
Less: transfer to peacekeeping reserve fund ^b	82 601	
Less: write-off of arrears for South Africa ^a	30 359	41 921
Total authorized retained surplus	78 348	78 348
Less: funding of UNITAR building ^c	9 992	9 992
Net authorized retained surplus	68 356	68 356
Cumulative surplus:		
Excess of income over expenditure	(33 059)	51 160
Savings of liquidation of prior-period obligations	26 749	24 959
Other adjustments to fund balance	(50)	(5 346)
New Member States' contributions	55	-
Total cumulative surplus	(6 305)	70 773
Total reserves and fund balances	62 051	139 129

^a General Assembly resolution 50/83 of 15 December 1995.

^b General Assembly resolution 42/217 of 23 December 1992.

^c General Assembly resolution 47/227 of 8 April 1993.

Note 6

Working Capital Fund (statement VI)

In accordance with General Assembly resolution 54/253 of 23 December 1999, the United Nations Working Capital Fund was established in the amount of \$100 million for the biennium 2000-2001. As at 31 December 2001, the principal balance of the Working Capital Fund was \$100,030,000.

Note 7
Special Account (statement VII)

Under the provisions of General Assembly resolutions 2053 A (XX) of 15 December 1965 and 3049 A (XXVII) of 19 December 1972, the United Nations Special Account has received voluntary contributions from Member States and private donors in order to overcome the financial difficulties of the United Nations and to resolve the Organization's short-term deficit.

Note 8
Jointly financed activities (statement VIII)

As a result of the introduction of net budgeting, as endorsed by the General Assembly in its resolution on the programme budget for the biennium 1998-1999, the costs of the International Civil Service Commission, the Joint Inspection Unit and conference services and security services (Vienna) are charged directly to the fund established for these jointly financed activities. The costs of the Administrative Committee on Coordination, the Information Systems Coordinating Committee and the Consultative Committee on Programme and Operational Activities are also accounted for under this special fund. These costs, when incurred, are charged directly to the fund and are later distributed among participating organizations. The amounts paid by participating organizations are credited to income.

Note 9
Technical cooperation activities (statement IX)

(a) The following changes have been made in the presentation of the financial statements, effective 31 December 2001:

- (i) Unspent allocations that were presented as assets and liabilities in the financial statements are no longer shown in the statements, as they represent only the assignment of resources for specific purposes;
- (ii) Unliquidated obligations for UNDP and UNFPA relating to prior years that were previously classified as other accounts payable are now presented as prior-year unliquidated obligations;
- (iii) Interest and other miscellaneous income that was previously included in allocation income is presented separately.

(b) The amount of \$35,064 million shown in statement IX as receivable from funding sources includes unliquidated obligations for which funds will be requested only as payments become due, in accordance with existing arrangements with UNDP and UNFPA.

(c) Statement IX excludes expenditures of UNDP nationally executed projects executed on a cooperating agency basis and projects executed on an associated agency basis by the following offices (in United States dollars):

	<i>National execution^a</i>	<i>Associated agency^b</i>
United Nations Headquarters	9 728 748	1 685 867
ECA	-	524 035
ECE	-	120 644
ECLAC	49 484	-
ESCWA	252 758	10 429
Habitat	-	6 424 559
UNCTAD	-	4 694 725
Total	10 030 990	13 460 259

^a National execution project expenditures executed by the United Nations on a cooperating agency basis are reported separately by the United Nations to UNDP. National execution project expenditures are reported in full to UNDP by Governments.

^b Project expenditures executed by the United Nations on an associated agency basis are reported fully in the executing agencies' own financial statements.

The programme support cost income earned from these activities is included in schedule 17.1.

(d) Effective 31 December 2001, the financial statements for the United Nations Centre for Human Settlements (Habitat) exclude the accounts pertaining to the oil-for-food programme, as these accounts are included in the financial statements for the United Nations escrow account established under the provision of Security Council resolution 986 (1995).

Note 10

General trust funds (statement X)

(a) The following 21 new trust funds were established during the biennium 2000-2001 (internal accounting codes appear in parentheses):

Trust Fund in Support of the International Civilian Support Mission in Haiti (HDA)

Trust Fund for the Fifteenth United Nations Regional Cartographic Conference for Asia and the Pacific (HGA)

Trust Fund for the Support of the Work of High-level International Intergovernmental Event on Financing for Development and Its Preparatory Committee (HIA)

Trust Fund for Holding the twenty-fourth Special Session of the General Assembly at the United Nations in Geneva, Switzerland (HJA)

United Nations Trust Fund in Support of the Activities of the Committee on the Exercise of the Inalienable Rights of the Palestinian People (QPA)

Trust Fund in Support of the Security Council Committee Established Pursuant to Security Council Resolution 864 (1993) (RLA)

Trust Fund for Updating the *Repertoire of the Practice of the Security Council* (UJA)

Trust Fund for the United Nations Year of Dialogue among Civilizations (YJA)

Trust Fund for Enhancing Professional Capacity in Internal Oversight Functions (QOA)

Trust Fund for the Panel on Financing for Development (FXA)

Global Compact Trust Fund (GKA)

Trust Fund to Assist Developing States in Attending Meetings of the Informal Consultative Process on Oceans and the Law of the Sea (KEA)

Trust Fund to Assist States in the Settlement of Disputes through the International Tribunal for the Law of the Sea (KFA)

Trust Fund to Assist Members of the Commission on the Limits of the Continental Shelf from Developing States to Participate in its Meetings (KJA)

Trust Fund for the Participation of All States, Including Least Developed Countries, in Activities Related to the Special Session of the General Assembly on HIV/AIDS (HXA)

Trust Fund to Assist Developing States in the Preparation of Submissions to the Commission on the Limits of the Continental Shelf (KUA)

Trust Fund in Support of the United Nations Forum on Forests (KSA)

Trust Fund to Support the Peace Process in Ethiopia and Eritrea (QLA)

Trust Fund to Support Programmes on HIV/AIDS and Peacekeeping (HVA)

Trust Fund for the Special Court for Sierra Leone (NLA)

Trust Fund for Headquarters Refurbishment of the Auditorium (VIA).

(b) The following 16 trust funds were closed during the biennium 2000-2001:

Trust Fund for Demining Activities in Angola (DQA)

Trust Fund for the Macrothesaurus Management Project (MMA)

Trust Fund for the Participation of Least Developed Countries in Intergovernmental Meetings (LMA)

Trust Fund for the Support of Regional and District Councils in Somalia — Life and Peace Institute (LKA)

Trust Fund for the 1994 International Conference on Population and Development (PBA)

Trust Fund for Assistance to the Office of the Special Representative of the Secretary-General for the Former Yugoslavia (YSA)

Sub-fund of the United Nations Nationhood Programme for Namibia — Technical Cooperation Expenditure (FFA)

Trust Fund for Supporting the Negotiating Process on the International Convention to Combat Desertification (NPA)

Special Voluntary Fund for Supporting Developing Countries affected by Desertification and Drought to Participate in the Negotiation Process on the International Convention to Combat Desertification (NQA)

Trust Fund for Economic Revitalization and Restoration of Essential Services in Eastern Slavonia (RKA)

Trust Fund for the Commission on Truth for El Salvador (TRA)

Sub-fund of the Trust Fund for the Operations of ESCWA in Beirut (LYA)

Trust Fund for ESCWA Regional Activities — Non-Technical Cooperation (WBA)

Sub-fund of the Trust Fund for Interest on the Contribution to the United Nations Special Account (JIA)

Sub-fund of the Trust Fund for the Myrdal Lectures (MLA)

Sub-fund of the Trust Fund for Research in Regional Cooperation in Asia and in New and Renewable Energy Resources (JRA).

(c) As at 31 December 2001 there were 205 general trust funds. The sub-fund of the United Nations Fund for Population Activities, United Nations Work Programme, was transferred to technical cooperation. The following funds had no activity:

Trust Fund to Assist States in the Settlement of Disputes through the International Tribunal for the Law of the Sea (KJA)

Trust Fund to Support Programmes on HIV/AIDS and Peacekeeping (HVA)

Trust Fund for Headquarters Refurbishment of the Auditorium (VIA).

(d) The United Nations Fund for International Partnerships (UNFIP), a trust fund administered by the Secretary-General, was established by the United Nations in 1998 following the agreement signed by the United Nations with the United Nations Foundation, Inc., a not-for-profit corporation organized under the laws of the State of New York of the United States of America. Funding is provided by the Foundation to assist and support the United Nations in achieving the goals and objectives of the Charter of the United Nations. UNFIP, through its administrative office, works with the Foundation to identify and select projects and activities to be funded by the Foundation, receives and distributes the funds for such projects and activities and monitors and reports to the Foundation on the use of the funds.

Upon approval of project documents, UNFIP advances the annual cash requirements to United Nations funds, programmes and specialized agencies. At periodic intervals, implementing partners submit reports providing details of cash disbursed in carrying out project activities, which serve as the basis for clearing the cash advances.

As at 31 December 2001, implementing partners had outstanding advances of \$88.9 million, as set out below (in thousands of United States dollars):

<i>Implementing partner</i>	<i>Amount</i>
ILO	480.0
United Nations Staff College	162.1
FAO	1 281.3
UNESCO	3 988.1
UNIDO	526.7
UNDP	10 593.6
UNICEF	24 000.9
United Nations Development Group	132.5
UNEP	25.4
UNITAR	253.6
OHCHR	14.1
United Nations Framework Convention on Climate Change secretariat	1 116.9
WHO	28 023.8
UNIFEM	1 091.6
UNHCR	1 005.9
UNFPA	11 989.8
UNCTAD	921.4
UNAIDS	2 546.0
UNIDIR	41.3
University for Peace	759.0
Total	88 954.0

Note 11**United Nations escrow account established under the provisions of Security Council resolutions 706 (1991) and 778 (1992) (statement XI)**

(a) An escrow account administered by the Secretary-General was established by the United Nations in 1992 as provided for in Security Council resolutions 706 (1991) and 712 (1991). It was to consist of funds from the sale of Iraqi oil to be used for payment by the United Nations Compensation Commission of the full costs of carrying out the tasks authorized by section C of resolution 687 (1991), the full costs incurred by the United Nations in facilitating the return of all Kuwaiti property seized by Iraq, half the costs of the Boundary Commission, the cost to the United Nations of implementing resolution 706 (1991) and the cost of other necessary humanitarian activities in Iraq.

With the refusal of Iraq to sell oil under the provisions of Security Council resolutions 706 (1991) and 712 (1991), the Security Council, on 2 October 1992, adopted resolution 778 (1992) as an alternative means of providing funds for the purposes specified. Member States in which there were petroleum products owned by Iraq or which had funds of the Government of Iraq representing the proceeds of petroleum sales, which had been paid for after 6 August 1990, were required to transfer some or all of these funds to the escrow account. Additionally, in resolution 778 (1992), the Council urged Member States to contribute funds from other sources

to the escrow account. All such funds transferred or contributed to the escrow account under the provisions of resolution 778 (1992) were to be transferred back to the accounts of States from which funds had been provided, together with applicable interest, at such time as oil exports had taken place pursuant to the system provided in resolutions 706 (1991) and 712 (1991) and the escrow account had received funds from the proceeds of sale. Iraqi oil exports began in December 1996, and in January 1997 the escrow account started receiving funds from the proceeds of sale, which were transferred back to the accounts of States that provided the original funds to the escrow account.

In December 1999, following the adoption of Security Council resolution 1284 (1999), payment to the escrow account from the proceeds of sale was suspended. The suspension, which was extended an additional 180 days by Council resolution 1302 (2000), was lifted by the Council in its resolution 1330 (2000) of 5 December 2000.

(b) As at 31 December 2001, frozen asset transfers and voluntary contributions to the escrow account totalled \$308.4 million, as follows (in millions of United States dollars):

<i>Country/Group</i>	<i>Amount</i>
Australia	0.5
Canada	2.6
Denmark	2.7
Finland	0.4
France	0.3
Germany	1.1
Greece	0.2
Japan	7.5
Kuwait	22.5
Netherlands	16.0
New Zealand	0.1
Norway	0.3
Oman	0.1
Qatar	0.5
Saudi Arabia	50.9
Sweden	8.1
Switzerland	0.2
United Arab Emirates	4.2
United Kingdom of Great Britain and Northern Ireland	17.8
United States of America	147.2
European Community	25.2
Total	308.4

Note 12

United Nations Compensation Commission (statement XII)

(a) The Compensation Commission was established in 1992 in accordance with Security Council resolution 687 (1991) to administer the settlement of claims arising from any direct loss, damage or injury for which the Government of Iraq was held liable as a result of its invasion and occupation of Kuwait. By its resolution 1330 (2000), effective 6 December 2000, the Security Council revised the allocation to the Compensation Commission from 30.0 to 25.0 per cent of the proceeds from the sale of Iraqi oil.

(b) Compensation claims of \$21,281,374,474 have been approved by the Governing Council of the Compensation Commission but not yet paid nor obligated pending receipt of funds from the United Nations escrow account established pursuant to Security Council resolution 986 (1995).

Note 13

Special account for activities approved under Security Council resolutions 687 (1991), 706 (1991) and 1284 (1999): other activities (statement XIII)

(a) The Security Council, in its resolution 687 (1991), requested the Secretary-General to undertake certain tasks in connection with the situation between Iraq and Kuwait. The costs of those activities were to be considered as an advance pending the receipt of payments to the Organization by Iraq in respect of certain activities, and by Iraq and Kuwait jointly in respect of the costs of the Boundary Commission.

(b) Since the adoption by the Security Council of its resolution 778 (1992), the above-mentioned costs have been covered by transfers from the escrow account. Furthermore, the costs of the Special Commission are being met by transfers from the escrow account pursuant to Security Council resolution 986 (1995).

(c) The Security Council decided, by its resolution 1284 (1999), to establish the United Nations Monitoring, Verification and Inspection Commission (UNMOVIC). The responsibilities mandated to the Special Commission are now being carried out by UNMOVIC.

Note 14

United Nations Central Emergency Revolving Fund (statement XIV)

The United Nations Central Emergency Revolving Fund was established by the Secretary-General in accordance with General Assembly resolution 46/182 of 19 December 1991. The Fund is financed by voluntary contributions. Its resources are to be used only for advances to United Nations organizations and entities in order to expedite their responses to requests for emergency assistance. Those advances are to be repaid to the Fund as a first charge against voluntary contributions received in respect of the particular emergency assistance programme.

Note 15

United Nations Mission in East Timor (statement XV)

(a) The Security Council established, by its resolution 1246 (1999), the United Nations Mission in East Timor (UNAMET) to organize and conduct a popular consultation, scheduled for 8 August 1999, on the basis of a direct, secret

and universal ballot, in order to ascertain whether the East Timorese people accepted the proposed constitutional framework providing for special autonomy for East Timor within the unitary Republic of Indonesia or rejected the proposed special autonomy for East Timor, leading to East Timor's separation from Indonesia, in accordance with the general agreement (A/53/951-S/1999/513, annex I) and to enable the Secretary-General to discharge his responsibility under paragraph 3 of the security agreement (*ibid.*, annex III). The Council extended the mandate of UNAMET until 30 November 1999 in its resolutions 1257 (1999) and 1262 (1999).

(b) United Nations Transitional Administration in East Timor (UNTAET) was established as a peacekeeping mission pursuant to Security Council resolution 1272 (1999) of 25 October 1999. UNTAET is the successor mission to UNAMET, and is now funded from the United Nations peacekeeping budget.

Note 16

Special multi-year account for supplementary development activities (statement XVI)

(a) A special multi-year account for supplementary development activities was established by the General Assembly in its resolution 54/15 on the basis of a recommendation of the Secretary-General (A/53/945). Resources appropriated under section 33, Development Account, of the United Nations regular budget shall be transferred into the special multi-year account.

(b) The unspent balance of appropriations at the end of the biennium will be carried forward to the succeeding biennium.

Note 17

Special accounts for programme support costs (statement XVII)

(a) Reimbursement for programme support costs is provided for in respect of extrabudgetary technical cooperation and administrative and substantive activities. The reimbursement is calculated as a percentage of the programme resources expended. The special accounts for programme support costs are shown separately from the extrabudgetary funds from which they derive their incomes.

(b) Unliquidated obligations in respect of special accounts for programme support costs are accounted for on the same basis as for the programme budget.

(c) The special account for programme support costs of peacekeeping operations is presented in the financial statements of the United Nations peacekeeping operations.¹

Note 18

Capital Assets Fund (statement XVIII)

(a) Land and buildings are reported at original cost. No depreciation of buildings is provided for. Major improvements and extensions to existing buildings are reflected in the construction-in-progress fund and are capitalized when the projects are completed.

¹ To be issued as *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 5 (A/57/5)*, vol. II, chap. V.

(b) The capital assets of the Organization comprise land and buildings (at cost) at the following locations (in millions of United States dollars):

<i>Capital assets</i>	<i>Amount</i>	
United Nations building New York (original cost)	67.1	
Less: Cost of library building razed in 1960	1.7	
Subtotal	65.4	
Dag Hammarskjöld library building, New York	6.7	
Land for permanent Headquarters site, New York	9.6	
Extension of meeting rooms of North Lawn and delegates' dining facilities and staff cafeteria, New York	56.2	
UNITAR building	11.0	
Subtotal	148.9	
Secretariat building and General Assembly Hall, library building and villas, Geneva	12.3	
Modernization of Palais des Nations, Geneva	2.1	
Major maintenance, Geneva	6.7	
Extension of conference facilities, Geneva	47.7	
Subtotal	68.8	
United Nations accommodation at Nairobi, Gigiri building	27.1	
Conference facilities at Nairobi, Gigiri building	8.7	
Subtotal	35.8	
Land and structures, Addis Ababa, Mogadishu and Pusan	0.3	
ECA building, Addis Ababa	7.5	
New ECA conference facilities	115.0	
Subtotal	122.8	
United Nations building, Santiago	5.6	
Documents Research Centre, Santiago	1.0	
Subtotal	6.6	
ESCAP building, Bangkok	8.7	
Less: Cost of Netherlands building razed in 1990	0.2	8.5
ESCAP conference building in Bangkok	46.5	
Subtotal	55.0	
Total	437.9	

Note 19**United Nations construction in progress (statement XIX)**

(a) Funds are appropriated from the United Nations regular budget for new construction and major improvements; the resulting expenditures are recorded and reported in separate construction accounts. The funds relating to those appropriations are transferred into a cash pool, which is administered at United Nations Headquarters, and are accounted for in a separate set of construction accounts classified as “undistributed”. From this cash pool, remittances are made to the respective field offices to meet construction-in-progress costs. Interest generated from investments and the related receivables and payables are reported in the “undistributed” balance sheet.

(b) Any unexpended balances of appropriations in the Construction Fund are carried forward to the extent approved by the General Assembly into succeeding bienniums until the projects are completed.

(c) An amount of \$8 million was appropriated by the General Assembly in its resolution 55/238 for the preparation of a comprehensive design plan and detailed cost analysis for the capital master plan at Headquarters.

Note 20**United Nations Tax Equalization Fund (statement XX)**

The Tax Equalization Fund was established under the provisions of General Assembly resolution 973 (X) of 15 December 1955 to equalize the net pay of all staff members whatever their national tax obligations. The Fund reports as income the staff assessment in respect of staff members financed under the regular budget, assessed peacekeeping operations and the Tribunals for Rwanda and the former Yugoslavia. The Fund includes as expenditure the credits against the regular budget and peacekeeping assessments of Member States that do not levy taxes on the United Nations income of their nationals. Member States that do levy income taxes on their nationals working for the Organization do not receive this credit in full. Instead, their share is utilized in the first instance to reimburse staff members for taxes they had to pay on their United Nations income. Such reimbursements for taxes paid are reported as expenditure by the Tax Equalization Fund. Staff members financed by extrabudgetary funds who are required to pay income tax are reimbursed directly from the resources of those funds.

Note 21**Funds held in trust (statement XXI)**

(a) These funds account for resources set aside and disbursements made for compensation payments under appendix D to the Staff Rules, reimbursements of claims made under the medical insurance plan, payments to stabilize medical, dental and life insurance premiums of active and after-service personnel and payment of liability claims and other costs associated with the general liability of the Organization. They also contain the accounts of certain self-insurance activities, such as the Geneva Staff Mutual Insurance Society, against sickness and accident.

(b) Premiums collected for medical, dental and life insurance schemes managed at United Nations Headquarters and paid to the insurance carriers under contract with the United Nations are accounted for in the General Fund.

Note 22**Special account for the sale of United Nations bonds (statement XXII)**

Under the terms of General Assembly resolution 1739 (XVI) of 20 December 1961, the Secretary-General was authorized to issue bonds up to a total of \$200 million, utilizing the proceeds of sale for purposes normally associated with the Working Capital Fund. He was also requested to include in the regular budget an amount sufficient to pay interest and instalments of principal, in accordance with the terms of the issue. A total of \$169.9 million was realized from the sale of the bonds and utilized for the United Nations Emergency Force (1956) and the United Nations Operation in the Congo. The last payments of principal and interest were made to bondholders in the biennium 1988-1989, and the bond issue is now fully amortized.

Note 23**Integrated Management Information System (statement XXIII)**

(a) Funds are appropriated from the United Nations regular budget for the IMIS project, and allocations were provided from various funds, including the peacekeeping accounts.

(b) Interest income is computed on the inter-fund indebtedness from the United Nations General Fund at the end of each month based on the average rate of return on the short-term United States dollar investments applicable for the month.

(c) Any unexpected balances of appropriations and allocations are carried forward to the succeeding biennium until the project is completed.

Note 24**Special account for information technology and telecommunications services costs at Headquarters (statement XXIV)**

The special account for information technology and telecommunications services costs at Headquarters was established during the biennium 2000-2001 to account for the recovery of costs associated with information technology and telecommunications services provided by the Office of Central Support Services at Headquarters. Such costs, which include common carrier costs, infrastructure maintenance and development costs and operational and management costs of the Office of Central Support Services, are reimbursed by users of the services.

Note 25**Special account for common services (statement XXV)**

The special account for common services was established during the biennium 2000-2001 to support the activities of the United Nations Executive Coordinator for Common Services towards the establishment of various common services with the United Nations funds and programmes, including support through a Common Services Support Unit to develop an evaluation framework for common services and to establish performance indicators and identify constraints; to encourage the development of common qualitative and quantitative performance indicators related to specific common service areas; and to facilitate the work of the technical working groups by proposing strategies, supporting the necessary action by ensuring that the targeted deliverables are regularly monitored and providing policy guidance.

Note 26**Special account for travel services**

The special account for travel services was established during the biennium 2000-2001 to account for the travel services provider at Headquarters. The income received from rebates is being used to cover the cost of services charged by the travel services provider.

Note 27**Liabilities for end-of-service and post-retirement benefits**

(a) The United Nations has not specifically recognized in any of its financial accounts liabilities for after-service health insurance costs or the liabilities for other types of end-of-service payments, which will be owed when staff members leave the Organization. Such payments are budgeted for in the regular and peacekeeping budgets, and the actual costs incurred in each financial period are reported as current expenditures.

(b) In order to gain a better understanding of the financial dimensions of the Organization's liabilities for after-service health insurance, a consulting actuary was engaged to carry out an actuarial valuation of post-retirement health insurance benefits as at 1 January 1997. The results of that exercise were disclosed in the notes to the financial statements (note 23) for the biennium 1996-1997.² The actuarial valuation was updated and, on the basis of the study, it was estimated that the United Nations liability as at 1 January 2001 projected to 31 December 2001 for after-service health insurance benefits covering all participants, regardless of funding source, was as follows (in United States dollars):

<i>After-service health insurance liability</i>	<i>Present value of future benefits</i>	<i>Accrued liability</i>
Gross liability	2 340 602 000	1 849 618 000
Offset from retiree contributions	(505 379 000)	(400 750 000)
Net liability	1 835 223 000	1 448 868 000

(c) The present value of future benefits figures shown above are the discounted values of all benefits to be paid in future to all current retirees and active employees expected to retire. The accrued liabilities represent those portions of the present values of benefits that have accrued from the staff members' dates of entry on duty until the valuation date. Active staff members' benefits are fully accrued on the date on which they become fully eligible for benefits.

(d) Staff members who separate from the Organization are entitled to be paid for any unused vacation days they may have accrued up to a maximum of 60 days. The Organization's total liability for such unpaid accrued vacation compensation as at 31 December 2001 is estimated to be between \$55 million and \$60 million.

(e) Some staff members are entitled to repatriation grants and payment of related relocation expenditures upon their termination from the Organization based on the number of years of service. The Organization's total liability for such unpaid

² *Official Records of the General Assembly, Fifty-third Session, Supplement No. 5 and corrigendum (A/53/5 and Corr.1), vol. I, chap. V.*

repatriation and relocation entitlements as at 31 December 2001 is estimated to be between \$50 million and \$55 million.

(f) Accrued vacation compensation and repatriation and relocation entitlements represent contingent liabilities for the regular and related accounts of the United Nations. The contingent liabilities for peacekeeping operations, previously reported herein, are reported separately in the peacekeeping financial statements.¹
