



**STATEMENT
ON BEHALF OF THE GROUP OF 77 AND CHINA
BY MS. KAREN LOCK**

**PERMANENT MISSION OF SOUTH AFRICA TO THE UNITED NATIONS
ON AGENDA ITEM 115: FINANCIAL REPORTS AND AUDITED FINANCIAL
STATEMENTS OF THE BOARD OF AUDITORS, IN THE FIFTH COMMITTEE
OF THE GENERAL ASSEMBLY
New York, 11 October 2006**

Mr. Chairman,

I have the honor to speak on behalf of the Group of 77 and China on agenda item 115 entitled, "Financial reports and audited financial statements of the Board of Auditors".

2. The Group of 77 and China wishes to express its appreciation to the Director of External Audit of the Philippines and Chairman of the Audit Operations Committee of the Board of Auditors, Mr. Sabiniano Cabatuan, for his introduction of the various reports of the Board. The Group also wishes to thank Mr. Rajat Saha, the Chairman of the Advisory Committee on Administrative and Budgetary Questions, for presenting the relevant report of the Committee. We further wish to thank Mr. Jonathan Childerly, the Chief of the Oversight Unit in the Office of the Department of Management, for introducing the report of the Secretary-General.

Mr. Chairman,

3. The Group of 77 and China wishes to reiterate the importance that we attach to the work of the Board of Auditors. The Board is an important pillar of the United Nations oversight structure and governance partner. The Group believes that effective and impartial financial and management audits of the Organization and its affiliated structures not only ensures the most efficient utilization of resources but also pre-empts potential deviations from the rules and regulations of the Organization. We also wish to commend the Board of Auditors for the efforts they have exerted in refining the presentation of their reports and the inclusion of an executive summary of their findings. At the same time, the Group particularly appreciates the level of detail provided and the "reader friendly" nature of the reports.

4. The Group of 77 and China concurs with the findings and recommendations of the Board. We also wish to express our concern regarding the lack of implementation of some of the Board's recommendations. In this regard, the Group urges those entities, which have not fully implemented the recommendations to do so particularly on those outstanding recommendations, which dates back to the biennium 2000-2001. We, however, are encouraged by the constant efforts of the Board to follow up on the implementation of its recommendations.

5. The Group maintains the view that the responsibility to implement the recommendations of the Board falls on the Administration. The Administration is also responsible for ensuring that accountability is assigned to specific office holders and recommendations are implemented in a timely manner. It is for this reason that we in 2005 supported the establishment of an internal mechanism to follow-up on the implementation of oversight recommendations. We still maintain that the effective and expeditious implementation of oversight recommendations is part and parcel of the efforts to improve accountability within the Secretariat. The Group would appreciate the view of the Board on the practical implications, if any, that the recommendation contained in paragraph 11 of the report of the Advisory Committee may hold for the Board and its independence.

6. Coordination between oversight bodies in the United Nations System is a prerequisite for successful and effective oversight. Our Group appreciates the continued efforts to enhance co-operation and synergies between the Board of Auditors, the Office of Internal Oversight Services and the Joint Inspection Unit. As part of our efforts to strengthen the management of the Organisation, it is imperative for Member States to gain assurances that the objectives of the United Nations are being met at the most efficient and cost-effective manner. We, therefore, rely heavily on the objective counsel of the oversight bodies for a fair assessment of the state of affairs in the Organization.

Mr. Chairman,

7. Turning to financial issues, the Group notes that, in the case of UNDP, UNFPA and UNEP, the Board has emphasized certain concerns without qualifying its audit opinion. We also note that the Administrations of these entities have generally concurred with the recommendations of the Board and are proceeding with implementation. We, furthermore, are concerned that the Board had to postpone its audit of the United Nations Office for Project Services (UNOPS) at the request of the latter's Executive Board. The Group trusts that this practice will not be repeated in future. It will be recalled that the Board in the previous beinnium disclaimed an opinion and, given the fact that the Board has not received financials for this year, it seems to indicate a worsening in the situation. The Group, consequently, would appreciate a clarification of the situation.

8. The Group attaches great importance to the work of the United Nations High Commission for Refugees and consequently remains concerned about the financial position of the Office, which according to the Board continues to weaken as expenditures continues to exceed income. It is equally concerning that no formalized foreign exchange risk policy exists to lower the risk of currency fluctuations, which reportedly amounted to approximately \$36 million. The Group, therefore, while acknowledging the positive steps undertaken by the Office in recent years, wishes to emphasize the importance of implementing the recommendations of the Board.

Mr. Chairman,

9. The Group of 77 and China appreciates the focus of the Board on management issues, which provides Member States with a useful measure of the performance of the Secretariat. In this context, it will be recalled that the General Assembly, pursuant to section V of its resolution 59/266, requested the Board to conduct an audit of the implementation of the principle of geographical representation in the Secretariat at all levels. The Assembly also requested the Board to verify that established measures of transparency and accountability at all levels of the selection, recruitment and placement processes are done in compliance with relevant resolutions of the Assembly.

10. It has been the position of this Group that achieving equitable geographic distribution and Gender balance of staff should be a priority in United Nations and its affiliated agencies, funds and programmes. The findings, however, indicates that little progress has been made towards this goal and that numerous Member States remain unrepresented and underrepresented in the Secretariat. It is clear that more concrete efforts are required to ensure that the international character of the membership of the Organisation is reflected in its staff. The Group consequently would have preferred a clear indication of the problems encountered by the Administration pertaining to the full implementation of the principle of equitable geographical representation.

11. The Group, furthermore, remains concerned with findings pointing towards deviations from the controls guiding the use of consultants and individual contractors. The Group wishes to stress that it expects the Administration to adhere to relevant administrative instructions. Procurement is another area of concern to the Group. In this context, we share the concern of the Advisory Committee regarding findings of the Board that seem to point towards weaknesses across the United Nations system. It is unacceptable that deviations from the procurement manual are still occurring and some staff members are unfamiliar with proper procurement procedures. The Group of 77 and China wishes to stress that it is imperative to ensure that procurement entities across the United Nations strictly abide by relevant regulations and rules, in order to avoid mismanagement and instances of fraud.

12. The Group of 77 and China appreciates the emphasis placed by the Board on lessons learned to date from the implementation of Enterprise Resources Planning Systems and International Public Sector Accounting Standards (IPSAS) in some parts of the United Nations system. Member States will commit significant resources over the coming years towards these improvements. We trust that the Secretariat will closely monitor developments across the United Nations system so as to benefit from the experiences gained by other entities.

I thank you Mr. Chairman.