



United States Mission to the United Nations

140 East 45TH Street
New York, NY 10017

Statement Before the Fifth Committee

By Andrew Hillman

United States Representative to the Fifth Committee

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Thank you, Mr. Chairman.

The United States Delegation would like to thank the Chairman of the Board of Auditors, Mr. Guillermo Carague, and his colleagues for preparing and presenting their reports to the Fifth Committee. I would also like to convey our appreciation to all the auditors and evaluators whose efforts contributed to the compilation of these helpful documents. In addition, the U.S. Delegation would like to thank Mr. Rajat Saja, Chairman of the ACABQ, for introducing his Committee's report on the Board's work.

Mr. Chairman,

The United States Delegation believes the Board of Auditors performs a critical task in auditing the financial statements of UN bodies. It is therefore essential that the Board's lengthy and informative reports reach delegations in sufficient time to permit detailed analysis of their findings and recommendations. Unfortunately, we found it difficult to conduct proper examination and consultations with our capital because several of these reports were issued as recently as a week ago. This chronic problem needs to be addressed. We would welcome suggestions for a remedy from other delegations as well as from the Board itself.

That being said, Mr. Chairman, the United States Delegation welcomes these reports and is pleased to convey our general support for the conclusions drawn by the Board as well as by ACABQ. We hope the Fifth Committee will endorse these reports.

Reports on UNDP (A/61/5 Add.1), UNFPA (A/61/5 Add. 7) and UNEP (A/61/5/Add.6)

Mr. Chairman, I wish to begin by highlighting certain critical findings of the auditors concerning the financial statements of UNDP, UNFPA, and UNEP, including:

- The adverse and qualified opinions of project auditors on the implementation of UNDP program expenditures executed by governments and non-governmental organizations (NGOs);
- UNDP's failure to complete monthly bank account reconciliations—an essential internal control without which, error and fraud could go undetected;
- Internal control weaknesses present in the implementation process of UNDP's enterprise resource planning (ERP) system;
- The qualified opinions issued by UNFPA's project auditors; and,
- The large discrepancy between the values of non-expendable property reported for UNEP headquarters in the financial statements and the value documented in the inventory records, respectively.

My delegation looks forward to hearing more about these issues during informal consultations, including actions being taken to address such weaknesses.

Non-expendable Property

Mr. Chairman, the United States Delegation also is concerned by the findings of the Board of Auditors with regard to non-expendable property, a matter that the Board of Auditors noted was not confined to UNEP during the current biennium. For example, the Board noted:

- Out of a total of \$298.4 million presented in the financial statements of the UN, \$23.45 million in items could not be confirmed or located;
- There has been a total lack of physical inventory at the United Nations University (UNU) Program for Biotechnology in Latin America and the Caribbean since 2001; and,
- The headquarters of the United Nations Office of Drug Control (UNODC), has conducted no physical inventory at all.

These findings are deeply troubling, especially in light of the planned transition to International Public Sector Accounting Standards (IPSAS). We agree with the observation of the ACABQ that a transition to IPSAS could represent a considerable challenge given the existing gaps in data entry and discrepancies between inventory reports and physical accounts, as well as other weaknesses. My delegation plans to pursue this matter further, given the importance we attach to the transition to IPSAS as a critical step forward in the ongoing UN reform process. We fear internal control weaknesses in the funds, offices and programs could inhibit this planned transition.

Report on the United Nations (A/61/5 Vol.1) - Procurement

Mr. Chairman,

With regard to Volume One of the Board of Auditors report, my delegation has long advocated reform of the UN procurement system. We are concerned with the lack of compliance with the Procurement Manual and General Assembly resolutions on procurement as reported by the Board of Auditors. We fully concur with ACABQ's view that failure to comply with the rules and regulations governing procurement practices is a very serious matter and that those staff and officials who are found responsible should be held fully accountable. Non-compliance has the potential both to damage the reputation of the Organization, and to put its resources at risk of fraud, waste, abuse and mismanagement.

We support a mandatory periodic rotation of staff responsible for procurement services. We look forward to pursuing this matter further and ensuring that all Board recommendations intended to reduce fraud are successfully implemented.

UN Trust Funds

Concerning UN trust funds, my delegation was pleased to note the overall decrease in the number of inactive trust funds from 63 in the biennium 2002-2003 to 35 at the end of the 2004-2005 biennium. These 35 funds have a combined reserve and fund balance of \$27.5 million as of December 31, 2005. The United States Delegation would welcome hearing more from the Secretariat on this issue, especially considering the comment in the Board's report that, "there is likely to be the risk of inability to sustain efforts in attaining the goals and objectives of trust fund management." We hope to seek clarification of this observation during informal consultations.

Ageing of Recommendations

Finally Mr. Chairman, I conclude by commenting on the ageing of recommendations. Timely implementation of recommendations by program managers is critical to the effectiveness of oversight. In this regard, my delegation is concerned by the Board's observation that 7 recommendations from the 1998-1999 biennium have yet to be fully implemented. My delegation believes these outstanding matters need to be resolved and looks forward to hearing from the Secretariat during informals on its efforts to address these issues.

Thank you, Mr. Chairman, for permitting me an opportunity to comment in some detail on the Board of Auditor's various reports. We again thank the Board for their important contribution to the overall successful functioning of the Organization.