



**STATEMENT ON BEHALF OF THE GROUP OF 77 AND CHINA  
BY H.E AMBASSADOR MOURAD BENMEHIDI, PERMANENT REPRESENTATIVE  
OF ALGERIA TO THE UNITED NATIONS, ON AGENDA ITEM 128: FINANCIAL  
REPORTS AND AUDITED FINANCIAL STATEMENTS AND REPORTS OF THE  
BOARD OF AUDITORS, AT THE FIFTH COMMITTEE DURING THE MAIN PART  
OF SIXTY-SEVENTH SESSION OF THE UNITED NATIONS GENERAL ASSEMBLY  
(New York, 12 October 2012)**

**Mr. Chairman,**

1. I have the honour to speak on behalf of the Group of 77 and China on agenda item 128, entitled "Financial reports and audited financial statements, and reports of the Board of Auditors".
2. The Group wishes to thank Mr. Yu Liu, Director of External Audit of China and Chairman of the Audit Operations Committee of the Board of Auditors for his introduction of the reports of the Board. We also wish to thank Mr. Collen V. Kelapile, Chairman of the ACABQ, for introducing the report of the Advisory Committee. We further wish to thank the Deputy Controller, Mr. Chandramouli Ramanathan, for introducing the report of the Secretary-General on the implementation of the recommendations of the Board.
3. The Group of 77 and China would like to send its appreciation to the Auditor-General of South Africa, Mr. Terence Nombembe, and his team, the outgoing member of the United Nations Board of Auditors for the excellent work done during his entire membership to the Board.
4. The Group would also like to welcome the Controller and Auditor-General of the United Republic of Tanzania, Mr. Ludovick Utouh, as the new member of the Board and would like to assure him and his team our full support in discharging the Board's mandate.
5. The Group of 77 and China attaches great importance to the work of the internal and external oversight mechanisms of the United Nations. Their observations and recommendations are crucial for Member States to ensure that the principles pertaining to proper procedures and practices and full disclosure of financial statements are being adhered to by the Organization. The Group wishes to commend the high quality of the Board's reports and would like to reiterate its appreciation for the concise summary of principal findings and conclusions. The Group believes that observations and recommendations by the oversight mechanisms are fundamental to the improvement of the work of the United Nations.

**Mr. Chairman,**

6. The Group notes that in its 18 audit reports, the Board of Auditors issued unmodified opinions for 16 entities for the period 2010-2011 (compared to 9 entities during the previous

period) and modified audit reports with emphasis of matter or other matter paragraphs for 2 entities: UNWRA and UN-WOMEN (compared to 8 entities during the previous period). The Group will scrutinize the current situation of these two entities, as it did for the previous years, so that the General Assembly adopts the proper decisions aiming at having them mitigate the risks due to their current situation.

7. The Group also notes that no entity received a qualified audit opinion for the period under consideration. This positive trend should be kept and even be improved.

8. The Group, in regard to the implementation of Board's recommendations, further notes that of the total of 676 recommendations made up to 31 December 2009 (compared to 623 at the same date in 2007), 437 recommendations or 65% of the previous recommendations had been fully implemented. During the previous period, 59% of the previous recommendations were fully implemented. During the previous period, 28% of the Board's recommendations had been partially implemented compared to 33% for the previous period and only 1% were overtaken by events compared to 5%.

9. Despite this general positive trend, the Group notes with concern an increase from 3% to 6% for the recommendations under implementation.

10. To sharpen the accountability for implementing the Board's recommendations to effectively address the root causes of the problems identified by it, the Group concurs with the Board which stressed the need for the administration to establish a dedicated follow-up mechanism. The Group of 77 and China will request additional information on what has been done in this regard.

11. Without such a mechanism, the Group is convinced that the Board will continue to note weaknesses and deficiencies in the design and in the consistency of operation of internal controls in important areas such as implementation of IPSAS, financial and asset management, procurement and contract management and performance and financial reporting.

**Mr. Chairman,**

12. With regard to the 4 major business transformation projects, namely the new Enterprise Resource Planning System (Umoja), IPSAS, the Capital Master Plan and the Global Field Support Strategy, the Group concurs with the Board that there is a need for a realistic and holistic assessment of the ability of the United Nations to absorb these fundamental changes simultaneously, while continuing to delivering its ongoing mandates. It is also crucial to provide to Member States an end-state vision for each of these projects, together with specific action plans to realize them. The Group will request during the informals for detailed information on the Secretariat concrete proposals for having the respective Steering Committee play the role awaited from them to avoid the current cost overruns of \$430 million for the Capital Master Plan and to accelerate the consolidation of Umoja.

13. Concerning after-service health insurance and end-of-service liabilities, the Group concurs with the Board and the ACABQ that United Nations entities might not be in a financial position to fully meet their obligations when end-of-service liabilities fall due and that funding streams for the voluntarily funded entities and activities are less predictable and could pose challenges for the development of binding funding arrangements for future end-of-service liabilities. Such situation will put at serious risk different generations of United Nations retired or nearly retired Staff after long years of dedicated work to contribute worldwide to peace, development and respect of human rights.

14. On the Result-Based Budgeting and Result-Based Management, the Group of 77 and China notes the seriousness of the findings of the Board of Auditors contained in paragraph 156 of its report A/67/5 (Vol. I), specifically:

- the United Nations Secretary-General has not assigned responsibility to a relevant member of his senior management team for a successful implementation of the Result-Based Management methodology despite the clear mandate contained in sections H and I of General Assembly resolution 64/259;
- the United Nations does not effectively align operational work plans with the Organization's strategic goals with, as consequence, the risk that the Organization's resources may not be allocated to activities which address the United Nations core strategic aims;
- the indicators of achievement are not focused on outcomes in any of the cases sampled during the Board's most recent audit and ACABQ in paragraph 38 of its report noted that its own comments, as well as those of the Board of Auditors and those of other oversight bodies have had little impact on how the Result-Based Budgeting framework has been presented over the last three years.

The Group expects clear explanation of the reasons of the postponement by the Secretariat of the implementation of a General Assembly mandate without any report to the same Assembly justifying this attitude of non-respect to the will of the United Nations Member States.

15. Concerning procurement and contract management, the Group concurs with the ACABQ and stresses that this situation is not only carrying significant reputational risk to the Organization but also could lead to a lack of accountability and transparency in procurement process.

16. On Expendable and Non-Expendable Property, the Group of 77 and China recalls its outstanding position and concurs also with both the Board and the ACABQ by noting discrepancies in accounting for Non-Expendable Property.

17. On the issue of internal oversight arrangements, the Group concurs again with both the Board and ACABQ and requests an update of the situation of the establishment of an internal audit service to UNHCR which is creating a risk now because this service is not in conformity with the provisions of paragraphs 9, 10, 11 and 12 of the General Assembly resolution 66/232. This resolution was adopted after protracted negotiations in the Fifth Committee and the Group

remains convinced that the right oversight decision was taken by the Committee by keeping this issue under review as it is still not yet resolved.

**Mr. Chairman,**

18. The Group notes that, under IPSAS, the United Nations and its entities will [from next year] produce financial reports on an annual, instead of a biennial, basis and that this will have an impact on the programme of work for the Board of Auditors, the Fifth Committee, the General Assembly, the ACABQ and other intergovernmental bodies. The Group would like to learn in detail how the organisation has prepared to address these challenges and we concur with the ACABQ that the General Assembly address these issues as a matter of priority no later than the main part of the sixty-seventh session.

**Mr. Chairman,**

19. Coordination between oversight bodies in the United Nations system is a pre-requisite for successful and effective oversight. Our Group appreciates the continued efforts of the Board to enhance its cooperation and synergies with all the oversight bodies.

20. In conclusion, the Group of 77 and China would like to assure you of our readiness to engage in constructive deliberation on this important agenda item.

**I thank you, Mr. Chairman.**