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Statement by

On Agenda Item 128: Financial Reports and Reports of the Board of Auditors

Before the Fifth Committee
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Thank you, Mr. Chairman.

The United States thanks the Director of External Audit Mr. Liu Yu and his colleagues from the United Kingdom and Tanzania for presenting these reports. The United States would also like to extend thanks to the Auditor-General of South Africa for its dedicated service to the United Nations Board of Auditors over the past six years and to welcome Tanzania as its newest member. We also thank all of the auditors who worked long and hard to conduct these important audits; their efforts are greatly appreciated. Lastly, we thank the Secretariat for introducing its report and the Chairman of the ACABQ for introducing his Committee's report on the Board's work .

Mr. Chairman, based on our initial reading of the reports on all the UN and its funds and programs, we generally support the conclusions made by the auditors as well as the ACABQ and believe this Committee should approve the reports.

I would like to turn to a few specific areas of concern for the United States. But first, let me commend the Organization for a decrease in the number of total audits with modified opinions since 2009 and for an increase in the number of recommendations that have been fully implemented at the end of this biennium as compared with the last biennium. A number of organizations have made improvements since the last audit of their financial statements, including UNHCR, UNEP, UNFPA, UN-Habitat, and the International Criminal Tribunal for Rwanda. We urge UN organizations to address the partially implemented and unimplemented recommendations expeditiously.

Mr. Chairman, we are concerned by the findings related to UNRWA and UN Women that prompted the Board to draw attention to particular matters in its audit opinion for these two entities. We support the Board of Auditors' recommendation that UNRWA develop a funding strategy to enable it to honor its end-of-service liabilities. With respect to UN Women, the Board's audit opinion notes that the Entity's relatively newly established internal control framework did not provide high enough assurances on the robust oversight of its expenditures. We look forward to further engaging UN Women on these and other management areas in the coming year. Additionally, although UNHCR has made significant progress in some areas, such as the processing of bank reconciliations and the preparation of high-quality financial statements, we remain concerned that UNHCR has not yet implemented an organization-wide approach to risk management.

Turning to IPSAS, my delegation commends the progress that has been made by the funds and programs towards producing IPSAS-compliant financial statements for 2012. We are concerned that the successful implementation of IPSAS for peacekeeping operations may not be met by the July 2013 deadline. We also agree with the Board of Auditors that there is a high risk that the UN will not be able to complete implementation by 2014, especially if implementation depends on satisfactory progress of the Umoja

project. While we recognize that realizing the benefits of IPSAS, such as increased transparency and better decision-making on the use of resources, is the ultimate test of success, we urge agencies to complete the work still required to produce IPSAS compliant statements to increase transparency, provide insight into the cost of operations and drive cost-effective decision-making.

We note the significant increase in end-of-service liabilities, including after-service health insurance costs, and agree that implementation of IPSAS will result in better, more consistent reporting of these liabilities. We also note the absence of funding plans to address these liabilities, but do not think that this is an indication that UN organizations will be unable to meet the current portion of these liabilities. Given the current economic climate and the financial constraints facing members, providing funding for the full amount of liabilities will be difficult for the foreseeable future.

We also want to take this opportunity to reiterate our longstanding concerns about the management of expendable and non-expendable property, high cash and investment balances maintained by UN entities, and deficiencies in procurement and contract management. We will continue to monitor these issues and urge UN organizations to implement the Board's recommendations as a matter of priority.

Finally, Mr. Chairman, we express concern over the Board's finding that overall, the deficiencies identified in this reporting period stem from weaknesses in the system of rules and regulations by which organizations are operated and controlled. Organizations must improve their systems of accountability and internal control frameworks. We want to conclude by reiterating the importance of the function performed by the Board of Auditors in improving these systems.

Thank you, Mr. Chairman.
