



STATEMENT ON BEHALF OF THE GROUP OF 77 AND CHINA BY MR. REN YISHENG, COUNSELLOR, PERMANENT MISSION OF CHINA TO THE UNITED NATIONS, ON AGENDA ITEM 125: FINANCIAL REPORTS AND REPORTS OF THE BOARD OF AUDITORS, AT THE SECOND PART OF THE RESUMED SIXTY-SECOND SESSION OF THE FIFTH COMMITTEE OF THE GENERAL ASSEMBLY (New York, 8 May 2008)

Mr. Chairman,

I have the honour to speak on behalf of the Group of 77 and China on Agenda Item 125: Financial Reports and Reports of the Board of Auditors.

2. At the outset, we would like to thank Mr. Bernard Levallois, Director of External Audit of France and Chairman of the Audit Operations Committee of the Board of Auditors, for introducing the Board's report A/62/5 (Vol. II), the Representative of the Department of Management, for introducing the Secretary-General's report A/62/784, and Ms. Susan Mclurg, Chairperson of ACABQ, for introducing the Committee's report A/62/823.

Mr. Chairman,

3. The Group of 77 and China values the important role played by the Board of Auditors as an external audit body of the United Nations. We commend the work done by the Board of Auditors and the quality of its report through the issuance of unqualified audit opinions on the financial statements of the United Nations Peacekeeping operations. This helps Member States ensure the adherence of the principle of fair presentation and the disclosure of financial statements so as to ensure the effective management of peacekeeping operations and better use of the financial and human resources allocated to those activities.

4. We note the comment by the Board that the financial statements present fairly, in all material respects, the financial position of the UN peacekeeping operations as at 30 June 2007 and the results of its operations and its cash flows for the period then ended, in accordance with the United Nations system accounting standards. We note that the Board did not review the restructuring of the peacekeeping operations and the African Union-United Nations Hybrid Operation in Darfur (UNAMID) for which budgets were approved respectively one year ago at the 61st Session of General Assembly. As the realignment has completed and UNAMID is in operation, we look forward to receiving reports on their reviews by the Board.

5. The Group notes with concern that the outstanding assessed contributions increased by 2.7 per cent, from \$678.7 million at the end of the fiscal year 2005/06 to 697.3 million at the end of the current fiscal year. We believe that peacekeeping operations can not succeed without adequate funding and emphasize hence that all Member States should pay their assessed contributions in full, on time and without conditions.

6. The Group of 77 and China notes the two emphases made by the Board of Auditors on the financial statements for the period under review. We are concerned with the level of cancellation of unliquidated obligations totaling \$202.28million. We share the concerns of both the Board of Auditors and ACABQ that the high incidence of cancellation of prior periods' obligations might be indicative of an overstatement of expenditures in previous years. We are also concerned with the

significant discrepancies in the system of asset management at the various missions for the original cost of non-expendable property amounting to \$1.38 billion and similar deficiencies related to unused expendable property. We concur with the recommendation of the Board that, in accordance with Rule 105.9 of the Financial Regulations and Rules of the United Nations in relation to unliquidated obligations, the Secretariat needs to place greater emphasis on the monitoring of the creation of unliquidated obligations at the close of the financial year. We also share the views of the Board on the management of expendable property that if deficiencies are not addressed in a timely manner, they will continue to impact adversely the ability of missions to effectively manage assets under their control.

7. Ageing of the Board's previous recommendations remains a matter of concern for the Group of 77 and China. While noting the information provided in the Secretary-General's report, we wish to emphasize the importance of timely implementation of those recommendations by the Secretariat through prompt and effective measures taken to avoid non-compliance of some recommendations repeatedly.

8. We note that the liabilities for after-service health insurance (ASHI), together with liabilities for end-of-service liabilities and post-retirement benefits are recognized in the financial statements for peacekeeping operations effective 30 June 2007. We also note the comment and recommendation of ACABQ that the Board's follow-up should include a review of how ASHI liabilities would be presented in the context of International Public Sector Accounting Standards (IPSAS).

9. We note with satisfaction that the Board continues to coordinate with OIOS and are convinced that this coordination will ensure that they meet the highest auditing and investigating standards.

Mr. Chairman,

10. We are concerned with many other issues such as procurement, contingent-owned equipment, quick-impact projects, air operations and ration management. We hold that more efforts need to be made in order to increase the opportunities for vendors from developing countries. We share the view of the Board that the completion of the guidelines relating to quick-impact projects needs to be expedited and they should be implemented at all missions. We expect that timely inspections of contingent-owned equipment to be conducted so as to facilitate reimbursements to troop-contributing countries. We also see the necessity, as recommended by the Board, of developing and implementing comprehensive human resources plans, as well as succession plans, to enable the missions to attract and retain suitably qualified and trained persons. We will state our positions in detail on each of those related issues when the Committee deals with the so-called "cross-cutting" issues agenda item.

Thank you, Mr. Chairman.