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CONTENTS

	<i>Page</i>
Agenda item 43:	
Review of audit procedures of the United Nations and the specialized agencies: reports of the Secretary-General and of the Advisory Committee on Administrative and Budgetary Questions (<i>continued</i>).....	107
Agenda item 36:	
Financial reports and accounts, and reports of the Board of Auditors (<i>continued</i>):	
(c) United Nations Relief and Works Agency for Palestine Refugees in the Near East, for the financial year ended 30 June 1955.....	108
(d) United Nations Korean Reconstruction Agency, for the financial year ended 30 June 1955.....	109
Agenda item 46:	
Audit reports relating to expenditure by specialized agencies of technical assistance funds allocated from the Special Account	109
Agenda item 54:	
Registration and publication of treaties and international agreements: report of the Secretary-General.....	109

Chairman: Mr. Hans ENGEN (Norway).

AGENDA ITEM 43

Review of audit procedures of the United Nations and the specialized agencies: reports of the Secretary-General and of the Advisory Committee on Administrative and Budgetary Questions (A/2974, A/2990) (*continued*)

1. Mr. HAGBERG (Sweden) wondered, in common with the Advisory Committee on Administrative and Budgetary Questions in its report (A/2990, para. 2), whether it might not be wise, as a matter of principle, to maintain a system which the experience of nine years had shown to be sound; he feared that any alternative scheme might be open to objections and even involve an element of risk. The Swedish delegation would therefore favour the continuation of the present system, if it were possible to maintain the same high level of audit service hitherto provided by the Canadian Government. It paid a tribute to the services of the Canadian Auditor-General and the other auditors since the establishment of the Organization and ventured to hope that the Canadian delegation would reconsider its decision to withdraw from the Board of Auditors.

2. The question of the audit procedures of the United Nations and the specialized agencies required careful study and it would be advisable to wait a few years before taking a final decision on the matter. If, however, Canada maintained its decision, the Swedish delegation would be prepared to give careful consideration to the proposals in the reports of the Secretary-General (A/2974) and the Advisory Committee (A/2990), which offered a possibility of enlarging the source of appointments to the Board of Auditors. The Swedish delegation

agreed with the Secretary-General and the Advisory Committee that the Board's terms of reference should remain unchanged. It also supported the Advisory Committee's recommendation that the Chief Auditor should be appointed by the General Assembly.

3. Mr. LIVERAN (Israel) observed that there was general agreement concerning the advantages of an external audit system. The only reason for changing that system was that it entailed some practical difficulties. The Committee should consider, however, whether the changes proposed by the Secretary-General might not have the effect of fundamentally altering a system of proven merit. Before embarking on reform, it might be advisable to ascertain whether another Government might not agree to undertake the functions hitherto performed by Canada and, if that were so, to obtain details concerning the costs of the various possible solutions.

4. Mr. AGHNIDES (Chairman of the Advisory Committee on Administrative and Budgetary Questions) recalled the United States representative's statement at the preceding meeting to the effect that, if the system proposed by the Advisory Committee were adopted, it would be wise to consult the Committee about the choice of a Chief Auditor, or to obtain its approval.

5. The Advisory Committee itself did not consider that it was competent to approve or reject a nomination. It could, at most, give an opinion, but such an opinion would not be binding upon the Board of Auditors, which would be forced to make its own decision.

6. Mr. FENAUX (Belgium) paid a tribute to the Canadian Auditor-General and to the Canadian Government for the services they had rendered to the Organization since its establishment. He thought it would be wise to retain the present system, which had proved satisfactory for nine years. Although the possibility of economy should not be overlooked, the primary necessity was to maintain the audit at the same high level as hitherto.

7. As the Advisory Committee had pointed out in its report (A/2990, para. 9) it was as much to the interest of the Secretary-General as to that of the Organization that the absolute independence of the proposed Office of External Audit should be demonstrably established. Nevertheless, he shared the concern expressed by some representatives regarding the scope of the proposed changes and thought it would be better to allow a few years to elapse, as the Swedish representative had suggested, before finally adopting a new audit system. He accordingly joined the United States representative in hoping that the Canadian Government would reverse its decision to withdraw from the Board of Auditors.

8. Mr. CHECHYOTKIN (Union of Soviet Socialist Republics) had no objection in principle to a review of the audit procedures. If the Assembly adopted that course, the USSR delegation would support the Advisory Committee's suggestions. It too considered that the ultimate responsibility for the external audit should

be borne by governmental auditors and it agreed with the views expressed by the Advisory Committee in its report (A/2990, paras. 9 and 10) concerning the appointment of the Chief Auditor and the experience which he should have.

9. The staff of the External Audit Office should be selected on as wide a geographical basis as possible among all the countries which could second officials. He did not consider that only half of the staff of the office should consist of officials seconded from national services; on the contrary, it was essential that as many States as possible should be represented.

10. His delegation agreed with the Advisory Committee (A/2990, para. 13) that it would be advisable for the External Audit Office to assume certain of the present functions of the Internal Audit Service; that measure might lead to a simplification of the audit system and to a consequent reduction of costs.

11. With regard to the remarks of the Chairman of the Advisory Committee on the view expressed by the United States representative, the USSR delegation considered that the Advisory Committee should play no part in the appointment of the Chief Auditor; it even seemed to be unnecessary to consult the Committee.

Mr. Khalaf (Iraq), Vice-Chairman, took the Chair.

12. Mr. CLOUGH (United Kingdom) associated himself with the tributes paid to the auditors and expressed his appreciation of the valuable services which Canada had rendered to the Organization for nine years. The present system had proved fully satisfactory and the United Kingdom delegation would have liked it to be maintained; nevertheless, it was aware that the burden thus imposed on the audit service of a Member State to provide staff for detailed audit work justified a review of the audit procedures.

13. If a new system were to be adopted, it was essential that responsibility should continue to rest with governmental auditors. The audit should at all stages be completely independent of the Organization and the staff performing it should be responsible solely to the Board of Auditors. The system should be such as to provide the maximum continuity of method in conformity with reasonable economy.

14. The United Kingdom delegation approved of the broad outlines of the Secretary-General's proposals, modified in accordance with the Advisory Committee's suggestions; they would provide the basis for an audit system which satisfied the requirements he had mentioned and which would be easily adaptable if the specialized agencies wished to participate in it. The Advisory Committee's suggestions concerning the appointment of the Chief Auditor and his independence were especially pertinent. His delegation agreed with the suggestion of the Netherlands that the Joint Panel of Auditors might somehow be associated in a consultative capacity with the nomination of the Chief Auditor.

15. Reference had been made to the question of the full-time employment of audit staff. His delegation considered that it would be unwise to lay down a hard-and-fast rule regarding the proportion of permanent officials in the Office of External Audit. If the Office was required to audit only United Nations accounts during the first few years, the staff could be composed almost exclusively of officials seconded from national services. Permanent officials could be added later to the extent that it was necessary to meet continuing external audit work.

16. His delegation agreed with the Advisory Committee (A/2990, para. 10) that the Chief Auditor should have had extensive experience in a senior position in a national audit service but considered that it might possibly unduly restrict the field of choice to insist that he should have had not less than ten years' experience.

17. The Committee might usefully consider the procedure to be followed in selecting the Chief Auditor if the new system were adopted. It would be difficult for the Board of Auditors to draw up a list of qualified candidates and for the General Assembly to select a candidate before the end of the present session. The problem could be solved by requesting the present Board of Auditors to continue in office for a further period, for example up until 31 December 1956. His delegation would like to hear the views of other delegations on that point.

AGENDA ITEM 36

Financial reports and accounts, and reports of the Board of Auditors (*continued*)

At the invitation of the Chairman, Mr. Sellar, Chairman of the Board of Auditors, Mr. Labouisse, Director of the United Nations Relief and Works Agency for Palestine Refugees in the Near East, and Mr. Thurston, Director of the American Regional Office, United Nations Korean Reconstruction Agency, took places at the Committee table.

(c) United Nations Relief and Works Agency for Palestine Refugees in the Near East, for the financial year ended 30 June 1955 (A/2989, A/3021)

18. Mr. AGHNIDES (Chairman of the Advisory Committee on Administrative and Budgetary Questions) pointed out that in paragraph 8 of its report (A/3021), the Advisory Committee referred to a project in respect of which the Agency had first incurred expenditures totalling \$443,157 and had then been faced with the necessity, on technical grounds, of relinquishing its responsibility for the completion of the project. The technical difficulties had, however, now been overcome and the Agency and the Hashemite Kingdom of the Jordan, in whose territory the project was to be carried out, had decided that as a sum \$515,760 had originally been set aside for the implementation of the project and as the Agency had paid the balance of \$72,603, work would now go forward on the Jordanian Government's responsibility. He accordingly proposed to amend the last sentence in paragraph 8 of the report to read as follows: "The Advisory Committee understands, however, that the project will now go forward on the Jordanian Government's responsibility".

19. Mr. HALL (United States of America) said that his delegation was prepared to approve the Agency's accounts, bearing in mind that the Advisory Committee had stated in its report that the Agency would correct certain practices criticized by the Board of Auditors.

20. Mr. FRIIS (Denmark) drew attention to the cases mentioned in paragraph 9 of the Advisory Committee's report and expressed satisfaction at the assurances given by the Director of the Agency. A body financed by voluntary contributions should follow the same procedure as the United Nations Secretariat.

21. Mr. LABOUISSSE (Director of the United Nations Relief and Works Agency for Palestine Refugees in the Near East) explained, with reference to para-

graph 9 of the Advisory Committee's report, that the Agency paid indemnities to certain staff members in order to avoid injustice. The Agency, in consultation with the United Nations Secretariat, was endeavouring to follow administrative procedures similar to those of the Secretariat. However, he could not assure the Committee that he would withhold the allowances and indemnities which had been guaranteed to staff members at the time of their employment. On the one hand, many of the Agency's staff received lower salaries than they could obtain in some specialized agencies which had offices in the same region and on the other, unlike staff members of the United Nations or its specialized agencies, they did not participate in any Pension Fund.

22. Mr. FRIIS (Denmark) said he was grateful for the information given by the Director of the Agency. He had not, on the basis of the very general information before the Committee, wished to go into the details. His delegation was satisfied with the spirit in which the Director approached the matter.

23. The CHAIRMAN suggested that the Committee should recommend the adoption of the following draft resolution to the General Assembly:

"The General Assembly

"1. *Accepts* the accounts of the United Nations Relief and Works Agency for Palestine Refugees in the Near East for the financial year ended 30 June 1955, and the certificate of the Board of Auditors (A/2989);

"2. *Takes note* of the observations of the Advisory Committee on Administrative and Budgetary Questions as set forth in its thirteenth report to the tenth session of the General Assembly (A/3021)."

The draft resolution was unanimously approved.

(d) United Nations Korean Reconstruction Agency, for the financial year ended 30 June 1955 (A/2987, A/3012)

24. Mr. VAN ASCH VAN WIJCK (Netherlands) drew attention to the Advisory Committee's important observations in paragraphs 5 and 6 of its report (A/3012). However, he wondered whether there was some contradiction in paragraph 5 in which the Advisory Committee stated first that reductions could be made in the expenditure for operational personnel, and that care should be taken to ensure that the services of able and experienced staff members were retained. It was to be hoped that despite the reduction in the expenditure for personnel the Agency would find means of retaining able staff members.

25. Mr. AGHNIDES (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that those two statements were not contradictory. The Agency's activities were being reduced and therefore reductions could be made in the expenditure for personnel. However, it was vital to retain the most able staff members so that the final operations could be carried out smoothly.

26. Mr. PINARD (Canada) agreed with the Netherlands representative that attention should be drawn to paragraphs 5 and 6 of the Advisory Committee's report. His delegation approved the accounts of the Agency.

27. The CHAIRMAN suggested that the Committee should recommend the adoption of the following draft resolution to the General Assembly:

"The General Assembly

"1. *Accepts* the financial report and accounts of the United Nations Korean Reconstruction Agency for the financial year ended 30 June 1955, and the certificate of the Board of Auditors (A/2987);

"*Takes note* of the observations of the Advisory Committee on Administrative and Budgetary Questions as set forth in its eleventh report to the tenth session of the General Assembly (A/3012)."

The draft resolution was approved by 46 votes to none, with 5 abstentions.

Mr. Labouisse, Director of the United Nations Relief and Works Agency for Palestine Refugees in the Near East, and Mr. Thurston, Director of the American Regional Office, United Nations Korean Reconstruction Agency, withdrew.

AGENDA ITEM 46

Audit reports relating to expenditure by specialized agencies of technical assistance funds allocated from the Special Account (A/2958, A/3015)

28. The CHAIRMAN suggested that the Committee should recommend the adoption of the following draft resolution to the General Assembly:

"The General Assembly

"*Takes note* of the audit reports relating to expenditure by specialized agencies of technical assistance funds allocated from the Special Account, for the financial year ended 31 December 1954 (A/2958 and Corr.1) and of the observations of the Advisory Committee on Administrative and Budgetary Questions as set forth in its twelfth report to the tenth session of the General Assembly (A/3015)."

The draft resolution was unanimously approved.

29. The CHAIRMAN thanked Mr. Sellar, Chairman of the Board of Auditors, for taking part in the Committee's work.

Mr. Sellar withdrew.

The meeting was suspended at 11.55 a.m. and resumed at 12.5 p.m.

AGENDA ITEM 54

Registration and publication of treaties and international agreements: report of the Secretary-General (A/2971, A/3010)

30. Mr. VENKATARAMAN (India) moved the adjournment of the meeting.

31. Mr. FENAUX (Belgium) pointed out that the question had legal and budgetary aspects. He felt that the Committee should not examine the budgetary aspects before learning the views of the Sixth Committee which would examine the legal aspects. He accordingly proposed that the Committee should not take up the question before receiving the Sixth Committee's report.

32. Mr. CLOUGH (United Kingdom) and Mr. LARREA (Ecuador) supported the Indian representative's motion for adjournment. They considered that the Committee could examine the budgetary aspects of the question at the next meeting.

33. Mr. MONTERO BUSTAMANTE (Uruguay) felt, on the contrary, that the legal aspect of the question was more important and that the Committee should follow the Belgian suggestion.

34. Mr. PINARD (Canada) pointed out that the General Assembly, in allocating items to the various Committees, had suggested that the item in question should be studied first by the Fifth Committee and then by the Sixth Committee (A/2980, para. 10).

The motion for adjournment was unanimously adopted.

The meeting rose at 12.15 p.m.