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GENERAL ASSEMBLY

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Fourth session
FIFTH COMMITTEEAPPOINTMENTS TO FILL VACANCIES IN THE MEMBERSHIP
OF SUBSIDIARY BODIES OF THE GENERAL ASSEMBLY:
BOARD OF AUDITORS

Recommendations for joint system of external audit for the
United Nations and specialized agencies, amending
resolution 74 (I) (Appointment of External Auditors)

Report of the Secretary-General

1. The General Assembly, at its one hundred and sixty-first plenary meeting held on 18 November 1948, adopted resolution 210 (III) on relations with and co-ordination of specialized agencies and work programmes of the United Nations and specialized agencies. This resolution contains, inter alia, the following provisions:

"THE GENERAL ASSEMBLY

"REQUESTS the Secretary-General, in consultation with the Advisory Committee on Administrative and Budgetary Questions and the Administrative Committee on Co-ordination, to continue the efforts further to improve administrative and budgetary co-ordination between the United Nations and the specialized agencies, including consideration of the possibility of developing a joint system for external audit....."

2. Through the Administrative Committee on Co-ordination, agreement was reached among the majority of the agencies concerned to recommend to the appropriate bodies in each agency (i) a set of principles to govern audit procedures in the United Nations and specialized agencies, and (ii) the establishment of a joint panel of external auditors of the United Nations and specialized agencies.

3. The Administrative Committee on Co-ordination forwarded the text of this agreement in its fifth report to the Economic and Social Council (document E/1340). This report was considered by the Co-ordination Committee of the Economic and Social Council which noted the agreement and in its report (document E/1470) made the additional recommendation that the panel of auditors be invited to submit from time to time any observations or recommendations it might wish to make on the co-ordination and standardization of the accounts and financial procedures of the United Nations and

/specialized agencies.

specialized agencies. The Co-ordination Committee further recommended that there be added to the "principles governing audit procedures" the principle that the external auditor appointed from the panel by any agency should be present when his report on that agency's account is being discussed by the agency's annual Conference.

4. The Economic and Social Council, by resolution 259 (IX) adopted at its ninth session, approved the report of its Co-ordination Committee including the additional recommendations contained therein.

5. Finally, in accordance with the provisions of resolution 210 (III), the Secretary-General has informed the Advisory Committee on Administrative and Budgetary Questions of the agreement reached by the Administrative Committee on Co-ordination. The comments of the Advisory Committee on the plan are contained in its second report of 1949 to the General Assembly (A/934), paragraph 267, as follows:

"...The Committee was informed that agreement had been reached between the Secretary-General and a majority of the specialized agencies to recommend to the appropriate legislative authorities of the agencies a common set of principles for the audits, and also the selection of a common panel of auditors. Details of these plans have been reported to the General Assembly in the Secretary-General's Annual Report on the work of the Organization. The Committee notes with satisfaction that the plan goes a long way to achieve a common system of audit for the United Nations and the agencies."

6. The implementation by the United Nations of the agreement on common audit principles will require an amendment to resolution 74 (I) dealing with the Appointment of external auditors adopted by the General Assembly at the second part of its first session. A part of that resolution has already been incorporated into the Provisional Financial Regulations (resolution 163 (II)). The additional actions required by the United Nations General Assembly to give full effect to the agreement are set out in Appendices I and II. The text of the amendments proposed to resolution 74 (I) follows the agreement closely, with the necessary changes to provide for direct application to the United Nations.

7. It may be noted that appropriate organs of the International Labour Organisation, United Nations Educational, Scientific and Cultural Organization, and World Health Organization have approved the common set of principles to govern audit procedures for implementation in their respective organizations. The ILO and WHO have chosen the same auditor and each agency has requested that he be made a member of the panel of auditors.

APPENDIX I

PRINCIPLES TO GOVERN AUDIT PROCEDURES FOR THE UNITED NATIONS

Table showing comparison of pertinent resolutions of the General Assembly with Agreement reached by the Administrative Committee on Co-ordination, with suggested composite draft for adoption by the General Assembly

(1) RESOLUTION 74 (I) APPOINTMENT OF EXTERNAL AUDITORS

The General Assembly resolves,

(a) That the Auditor-General (or other title) of the Ukrainian Soviet Socialist Republic and the Auditor-General (or other title) of Sweden and the Auditor-General (or other title) of Canada be appointed as external Auditors of the accounts of the United Nations and of the International Court of Justice, and of such specialized agencies as may be designated by the appropriate authority. Should the necessity arise, an Auditor may designate a representative to sit on the Board in his absence;

(b) That the term of office of each Auditor shall continue until 30 June 1948, 30 June 1949, and 30 June 1950, in the order in which they are named above;

(c) That in 1947, and every year thereafter, the General Assembly at its regular session shall appoint an Auditor to take office from 1 July of the following year and to serve for a period of three years;

(d) That the Auditors in office shall constitute the Board of Auditors, which shall elect its own Chairman and adopt its own rules of procedure;

(e) That the Board, subject to the budgetary provision made by the General Assembly for the cost of the audit, and after consultation with the Advisory Committee on Administrative and Budgetary Questions relative to the scope of the audit, may conduct the audit under the provisions of this resolution in such manner as it thinks fit, and may engage commercial public auditors of international repute;

* Where "Assembly" is used in this text of appropriate authority.

(2) RESOLUTION 163 (II) PROVISIONAL FINANCIAL REGULATION 34

The General Assembly resolves [that],

...

A Board of three Auditors, each of whom shall be the Auditor-General (or officer holding equivalent title) of a Member Government, shall be appointed by the General Assembly as External Auditors of the accounts of the United Nations and of such specialized agencies as shall have agreed thereto. The appointments shall be made in the following manner, and subject to the following provisions:

(a) In 1947, and every year thereafter, the General Assembly at its regular session shall appoint an Auditor to take office from 1 July of the following year and to serve for a period of three years;

(b) The auditors in office shall constitute the Board of Auditors, which shall elect its own Chairman and adopt its own rules of procedure;

(c) The Board, subject to the budgetary provision made by the General Assembly for the cost of audit, and after consultation with the Advisory Committee on Administrative and Budgetary Questions relative to the scope of the audit, may conduct the audit, subject to the provisions of this regulation, in such manner as it thinks fit and may engage commercial public auditors of international repute;

(3) AGREEMENT REACHED IN ADMINISTRATIVE COMMITTEE ON CO-ORDINATION¹ (Paragraphs numbered as in agreement but order altered for comparative purposes)

1. The External Auditor shall be appointed by the Assembly of each Organization and may not be removed except by the Assembly.

(No conflict with regulation 34)

(4) SUGGESTED COMPOSITE DRAFT FOR ADOPTION BY THE GENERAL ASSEMBLY

*Principles to govern the audit procedures of
United Nations*

1. The principles set out in regulation of the provisional financial regulations are affirmed. A representative of the Board Auditors shall be present when the Board's report is being considered by the Assembly.

(1)
RESOLUTION 74 (I)
APPOINTMENT OF EXTERNAL
AUDITORS

or the Advisory Committee on Administrative and Budgetary Questions on behalf of the General Assembly, requests that any accounts be examined in greater detail, the Auditors shall take action accordingly.

(iii) The Auditors shall examine such store or stock accounts as are maintained by the organization the financial accounts of which they are auditing.

(iv) The Auditors shall have free access at all convenient times to the books of account and all information relevant to the accounts of the organization concerned. Requests for official files which may deal with matters of policy should be made only through the Assistant Secretary-General for Administrative and Financial Services.

(v) The Auditors should not criticize purely administrative matters, but it is within their discretion to comment upon the financial consequences of administrative action. Audit examinations should not be undertaken before accounting effect has been given to transactions, nor should accounts and vouchers be examined until they have been duly rendered available by the department concerned.

(vi) Objections to any items which may arise during audit should be communicated immediately to the accounting department concerned. As a general rule, criticism should not be made

(2)
RESOLUTION 163 (II)
PROVISIONAL FINANCIAL REGULATION 34

(3)
AGREEMENT REACHED IN ADMINISTRATIVE
COMMITTEE ON CO-ORDINATION¹

(Paragraphs numbered as in agreement but order altered for comparative purposes)

7. The External Auditor may affirm by test the reliability of the internal audit, and he may report to the administrative head of the Organization and the Assembly on the efficiency of the internal audit.

4. The External Auditor shall not be restricted in any way in carrying out the audit.

5. The External Auditor shall be free to see any of the books and records of the Organization necessary for the performance of his audit. Confidential information required by him for the purposes of his audit shall be made available to him on application to the official designated by the administrative head of the Organization. He shall use discretion in his treatment of confidential information.

8. Notwithstanding that the accounts as such may be correct, the External Auditor shall be entitled to report on the efficiency and economy of operations of the Organization, but not including general policy matters. He may comment upon financial procedures, the accounting system, internal financial control and the financial consequences of administrative procedure.

9. In no case, however, shall the Auditor include criticism in his audit report without first affording the Administration an opportunity of explanation to him of the matter under obser-

(4)
SUGGESTED COMPOSITE DRAFT FOR
ADOPTION BY THE GENERAL ASSEMBLY
*Principles to govern the audit procedures of the
United Nations*

4. The Board of Auditors may affirm by test the reliability of the internal audit, and may make such reports with respect thereto, as the Board may deem necessary, to the General Assembly or to the Advisory Committee on Administrative and Budgetary Questions, or to the Secretary-General.

5. The several members of the Board and staff working under its direction shall subscribe to such oath as may be approved by the Advisory Committee on Administrative and Budgetary Questions. Thereupon the members of the Board and its staff shall have free access at all convenient times to all books of account and records which are, in the opinion of the Board, necessary for the performance of the audit. Information classified as confidential in the records of the Secretariat, and which is required by the Board for the purposes of the audit, shall be made available on application to the Assistant Secretary-General for Administrative and Financial Services. In the event that the Board is of the opinion that a duty rests on it to draw to the attention of the General Assembly any matter respecting which all or part of the documentation is classified as confidential, direct quotation should be avoided.

6. The Board of Auditors, in addition to certifying the accounts, may make such observations as it may deem necessary with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls, and, in general, the financial consequences of administrative practices.

7. In no case, however, shall the Board of Auditors include criticism in its audit report without first affording the Secretariat an opportunity of explanation to the Board of the mat-

n the Auditors' report without first affording the accounting department an opportunity of explanation.

(vii) Documentary or other information obtained from a department should not be published by the Auditors without reference having been made to the duly authorized official of the organization or agency concerned.

(viii) The Auditors certifying the accounts shall prepare a joint report of each account certified, in which they should mention:

(1) The extent and character of their examination or any important changes therein;

(2) Matters affecting the completeness or accuracy of the accounts, such as:

(a) Information necessary to the correct interpretation of the account;

(b) Any amounts which ought to have been received but which have not been brought to account;

(c) Expenditure not properly vouched;

(3) Other matters which should be brought to the notice of the General Assembly, such as:

(a) Cases of fraud or presumptive fraud;

(b) Wasteful or improper expenditure of United Nations' money or stores (notwithstanding that the accounting for the transactions may be correct);

(c) Expenditure likely to commit the United Nations to further outlay on a large scale;

(d) Any defect in the general system or detailed regulations governing the control of receipts and expenditure, or of stores;

(e) Expenditure not in accordance with the intention of the General Assembly, after making allowance for duly authorized transfers within the budget;

(f) Expenditure in excess of appropriations, as amended by duly authorized transfers within the budget;

(g) Expenditure not in conformity with the authority which governs it.

vation. Audit objections to any item arising during the examination of the accounts shall be immediately communicated to the Administration.

ter under observation. Audit objections to any items arising during the examination of the accounts shall be immediately communicated to the Assistant Secretary-General for Administrative and Financial Services.

8. The Board of Auditors shall prepare a report on the accounts certified, in which it should mention:

(a) The extent and character of their examination or any important changes therein;

(b) Matters affecting the completeness or accuracy of the accounts, such as:

(i) Information necessary to the correct interpretation of the account;

(ii) Any amounts which ought to have been received but which have not been brought to account;

(iii) Expenditure not properly substantiated;

(c) Other matters which should be brought to the notice of the General Assembly, such as:

(i) Cases of fraud or presumptive fraud;

(ii) Wasteful or improper expenditure of United Nations' money or other assets (notwithstanding that the accounting for the transactions may be correct);

(iii) Expenditure likely to commit the United Nations to further outlay on a large scale;

(iv) Any defect in the general system or detailed regulations governing the control of receipts and expenditure, or of supplies and equipment;

(v) Expenditure not in accordance with the intention of the General Assembly, after making allowance for duly authorized transfers within the budget.

(vi) Expenditure in excess of appropriations as amended by duly authorized transfers within the budget;

(vii) Expenditure not in conformity with the authority which governs it.

(1)
RESOLUTION 74 (I)
APPOINTMENT OF EXTERNAL
AUDITORS

(4) The accuracy or otherwise of the stores records as determined by stock-taking and examination of the records.

In addition, the reports may contain reference to:

(5) Transactions accounted for in a previous year concerning which further information has been obtained, or transactions in a later year concerning which it seems desirable that the General Assembly should have early knowledge.

(ix) The Auditors, or such of their officers as they may delegate, should jointly certify each account in the following terms:

"The above accounts have been examined in accordance with our directions. We have obtained all the information and explanations that we have required, and we certify, as the result of the audit, that, in our opinion, the above account is correct";

adding, should it be necessary,

"subject to the observations in our report".

(x) The Auditors shall have no power to disallow items in the accounts, but shall recommend to the Secretary-General for appropriate action such disallowances as the Board is prepared to recommend to the General Assembly based on its audit of the accounts and records. The Board shall bring to the attention of the General Assembly any cases where its recommendations for disallowance have not been acted upon by the Secretary-General.

(2)
RESOLUTION 163 (II)
PROVISIONAL FINANCIAL REGULATION 34

(3)
AGREEMENT REACHED IN ADMINISTRATIVE
COMMITTEE ON CO-ORDINATION¹
(Paragraphs numbered as in agreement but
order altered for comparative purposes)

(4)
SUGGESTED COMPOSITE DRAFT FOR
ADOPTION BY THE GENERAL ASSEMBLY
*Principles to govern the audit procedures of the
United Nations*

(d) The accuracy or otherwise of the supplies and equipment records as determined by stock-taking and examination of the records.

In addition, the reports may contain reference to:

(e) Transactions accounted for in a previous year concerning which further information has been obtained, or transactions in a later year concerning which it seems desirable that the General Assembly should have early knowledge.

9. The Board of Auditors, or such of their officers as they may designate shall certify the financial statements in the following terms:

The financial statements of the United Nations for the financial year ended 31 December — have been examined in accordance with our directions. We have obtained all the information and explanations that we have required, and we certify, as the result of the audit, that, in our opinion, the financial statements are correct;

adding, should it be necessary,

subject to the observations in our report.

10. The Board of Auditors shall have no power to disallow items in the accounts, but shall draw to the attention of the Secretary-General for appropriate action any transaction concerning which it entertains doubt as to legality or propriety.

(f) That if any member of the Board ceases to hold the national office described in paragraph (a) of this resolution he shall cease to be a member of the Board, on which he shall be succeeded by his successor in the national office described;

(g) That the Board of Auditors shall submit its report, together with the certified accounts and such other statements as it thinks necessary, to the General Assembly to be available to the Advisory Committee on Administrative and Budgetary Questions not later than 1 June following the end of the financial year to which the accounts relate. The Advisory Committee shall forward to the General Assembly its comments, if any, on the audit report;

(h) That the audit should be carried out by the Board of Auditors having full regard to the following requirements of the General Assembly:

(i) The Auditors should satisfy themselves:

(1) That the accounts, including the balance sheet, represent a correct record of duly authorized financial transactions of the financial year;

(2) That money has not been expended or obligated other than for the purpose or purposes for which the appropriations voted by the General Assembly were intended to provide, except in so far as the Secretary-General has authorized transfers within the budget, and that the expenditure conforms to the authority which governs it;

(3) That transfers from the Working Capital Fund or other funds have received the necessary authority.

(ii) The Auditors, after satisfying themselves that the vouchers have been examined and certified as correct by the accounting organization, may, in their discretion and having regard to the character of the examination within the department, in any particular case admit the sums so certified without further examination, provided, however, that if the General Assembly

(d) If any member of the Board ceases to hold the national office described in the opening paragraph of this regulation, he shall be replaced by his successor in the national office described;

(e) The Board of Auditors shall submit its report, together with the certified accounts and such other statements as it thinks necessary, to the General Assembly to be available to the Advisory Committee on Administrative and Budgetary Questions not later than 1 June following the end of the financial year to which the accounts relate. The Advisory Committee shall forward to the General Assembly its comments, if any, on the audit report;

(f) The audit shall be carried out by the Board of Auditors subject to the requirements of the General Assembly as established by resolution thereof.

2. The External Auditor shall report to the Assembly, and shall be present when his report is being considered by the Assembly.

(Italicized portion represents addition by the Co-ordination Committee of the Economic and Social Council—no conflict with regulation 34 and practice that has been followed in United Nations)

3. The External Auditor shall perform such an audit as he deems necessary to certify:

(a) That the statements of financial positions are in accord with the books and records of the Organization;

(b) That the financial transactions reflected in the statements have been in accordance with the rules and regulations, the budgetary provisions, and other applicable directives of the Assembly;

(c) That the cash on deposit and on hand has been verified by certificate received direct from the Organization's bankers and by actual count.

6. In the performance of the audit, the External Auditor shall be the sole judge as to the acceptance in whole or in part of certifications by the Administration and may proceed to such detailed examination and verification as he chooses, including the physical verification of stocks.

2. The Board of Auditors shall perform an audit of the accounts of the United Nations, including all trust and special accounts, as it may deem necessary to certify:

(a) That the financial statements are in accord with the books and records of the Organization;

(b) That the financial transactions reflected in the statements have been in accordance with the rules and regulations, the budgetary provisions, and other applicable directives;

(c) That the securities and moneys on deposit and on hand have been verified by certificate received direct from the Organization's depositories or by actual count.

3. Subject to the directions of the General Assembly, the Board of Auditors shall be the sole judge as to the acceptance in whole or in part of the certifications by the Secretariat and may proceed to such detailed examination and verification as it chooses of all financial records, including those relating to supplies and equipment.

APPENDIX II

DRAFT RESOLUTION

THE GENERAL ASSEMBLY

Having taken note of the set of common principles to govern audit procedures of the United Nations and the specialized agencies as agreed by the Administrative Committee on Co-ordination and the recommendation of the Co-ordination Committee of the Economic and Social Council in this respect:

AMENDS Resolution 74(I) adopted by the General Assembly at the second part of its first session to provide that the audit principles contained in Annex A of this resolution shall constitute the instructions of the General Assembly relative to the conduct of the audit of the United Nations accounts as referred to in paragraph (f) of Provisional Financial Regulation 34;

APPROVES the principles regarding a joint panel of auditors for the United Nations and the specialized agencies as set out in Annex B of this resolution;

REQUESTS the Secretary-General and the Administrative Committee on Co-ordination to conclude arrangements for the establishment of the joint panel of auditors under the provisions of Annex B of this resolution;

RESOLVES that members of the Board of Auditors of the United Nations be nominated to the joint panel of auditors;

EXPRESSES the hope that such of the specialized agencies as have not yet agreed to the common system of external audit will do so in the near future.

ANNEX A

PRINCIPLES TO GOVERN THE AUDIT PROCEDURES OF THE UNITED NATIONS

1. The principles set out in Regulation 34 of the Provisional Financial Regulations are reaffirmed. A representative of the Board of Auditors shall be present when the Board's report is being considered by the Assembly.
2. The Board of Auditors shall perform an audit of the accounts of the United Nations, including all trust and special accounts, as it may deem necessary in order to certify:
 - (a) that the financial statements are in accord with the books and records of the Organization;
 - (b) that the financial transactions reflected in the statements have been in accordance with the rules and regulations, the budgetary provisions, and other applicable directives;
 - (c) that the securities and moneys on deposit and on hand have been verified by certificate received direct from the Organization's depositories or by actual count.
3. Subject to the provisions of the Financial Regulations, the Board of Auditors shall be the sole judge as to the acceptance in whole or in part of certifications by the Secretariat and may proceed to such detailed examination and verification as it chooses of all financial records including those relating to supplies and equipment.
4. The Board of Auditors may affirm by test the reliability of the internal audit, and may make such reports with respect thereto, as the Board may deem necessary, to the General Assembly or to the Advisory Committee on Administrative and Budgetary Questions, or to the Secretary-General.
5. The several members of the Board and staff working under its direction shall subscribe to such oath as may be approved by the Advisory Committee on Administrative and Budgetary Questions. Thereupon the members of the Board and its staff shall have free access at all convenient times to all books of account and records which are, in the opinion of the Board, necessary for the performance of the audit. Information classified as confidential in the records of the Secretariat, and which is required by the Board for the purposes of the audit shall be made available on application to the Assistant Secretary-General for Administrative and Financial Services. In the event that the Board is of the opinion that a duty rests on it to draw to the attention of the General Assembly any matter respecting which all or part of the documentation is classified as confidential, direct quotation should be avoided.

/6. The Board

6. The Board of Auditors, in addition to certifying the accounts, may make such observations as it may deem necessary with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the financial consequences of administrative practices.

7. In no case, however, shall the Board of Auditors include criticism in its audit report without first affording the Secretariat an opportunity of explanation to the Board of the matter under observation. Audit objections to any items arising during the examination of the accounts shall be immediately communicated to the Assistant Secretary-General for Administrative and Financial Services.

8. The Board of Auditors shall prepare a report on the accounts certified, in which it should mention:

- (a) The extent and character of its examination of any important changes therein;
- (b) Matters affecting the completeness or accuracy of the accounts, such as:
 - (i) Information necessary to the correct interpretation of the account;
 - (ii) Any amounts which ought to have been received but which have not been brought to account;
 - (iii) Expenditures not properly substantiated;
- (c) Other matters which should be brought to the notice of the General Assembly, such as:
 - (i) Cases of fraud or presumptive fraud;
 - (ii) Wasteful or improper expenditure of United Nations' money or other assets (notwithstanding that the accounting for the transactions may be correct);
 - (iii) Expenditure likely to commit the United Nations to further outlay on a large scale;
 - (iv) Any defect in the general system or detailed regulations governing the control of receipts and expenditure, or of supplies and equipment;
 - (v) Expenditure not in accordance with the intention of the General Assembly, after making allowance for duly authorized transfers within the budget;
 - (vi) Expenditure in excess of appropriations as amended by duly authorized transfers within the budget;
 - (vii) Expenditure not in conformity with the authority which governs it.

- (d) The accuracy or otherwise of the supplies and equipment records as determined by stock-taking and examination of the records.

In addition, the reports may contain reference to:

- (e) Transactions accounted for in a previous year, concerning which further information has been obtained, or transactions in a later year concerning which it seems desirable that the General Assembly should have early knowledge.

9. The Board of Auditors, or such of their officers as they may designate, shall certify the financial statements in the following terms:

The Financial statements of the United Nations for the financial year ended 31 December ---- have been examined in accordance with our directions. We have obtained all the information and explanations that we have required, and we certify, as a result of the audit, that, in our opinion, the financial statements are correct.

adding, should it be necessary,

subject to the observations in our report.

10. The Board of Auditors shall have no power to disallow items in the accounts, but shall draw to the attention of the Secretary-General for appropriate action any transaction concerning which it entertains doubt as to legality or propriety.

ANNEX B

JOINT SYSTEM OF EXTERNAL AUDIT

1. In principle there should be a panel of external auditors of the United Nations and the specialized agencies composed of persons having the rank of Auditor-general (or its equivalent in the various Member States).
2. Such a panel should consist of the auditors appointed by the United Nations and the specialized agencies, chosen by common consent for a period of three years in such a manner that the members of the panel would not exceed six in number, and bearing in mind the location of the specialized agencies, the ability of the governmental audit staffs to undertake the total audit load within the appropriate time limits, and the desirability of securing continuity of audit.
3. Each Organization should select one or more members of the panel to perform its audit. Payments of salaries, fees or honoraria should be a matter for settlement between the parties directly concerned.
4. Each auditor (or the auditors) performing an audit should sign his (or their) own report or reports.
5. Members of the panel selected to perform the audit should be requested to take appropriate steps, in particular by meeting together annually, to co-ordinate their audits and to exchange information on methods and findings. The panel of auditors should be invited to submit from time to time any observations or recommendations which it might wish to make on the co-ordination and standardization of the accounts and financial procedures of the United Nations and the specialized agencies.
6. Cost of the annual meetings of active members of the panel should be borne by the participating Organizations.
