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ADVISORY COMMITTEE ON ADMINISTRATIVE AND BUDGETARY QUESTIONS

FINANCIAL ARRANGEMENTS FOR THE BOARD OF AUDITORS

Note by the Secretary-General

The Secretariat received on 7 February a proposal from Mr. Watson Sellar, Chairman of the Board of Auditors, concerning the financial arrangements for the Board, which is attached as Annex A. The Director of Finance agreed to these proposals on a tentative basis, noting that "in view of the long debate concerning emoluments of members of the International Law Commission during the last session of the General Assembly, I believe the Secretary-General will wish to seek the advice of the Advisory Committee at its spring session before a final decision is made."

The Director of Finance also pointed out that the standard amount of per diem subsistence allowance for expert members of Commissions and Committees is \$20 rather than the \$25 proposed by the Chairman of the Board of Auditors. However, in view of the tentative decision taken by the Committee on 12 April, it is the Secretariat's assumption that the proposal of the Chairman of the Board on this point might also be agreed. A copy of the letter of the Director of Finance is attached as Annex B.

/ANNEX A  
A/CN.1/R.22

C O P Y

ANNEX A

Ottawa, February 7, 1950

Dear Mr. Andersen,

As promised in my letter of 2 December (your reference AFS 85/03), I have been in correspondence with Dr. Ordóñez Ceballos and Mr. Remke re 1950 audit costs, and now attach a memorandum giving our joint views on the subject.

In view of the fact that the Board is to meet in May, would you let me know the plan the United Nations will use in 1950, in order that the several members of the Board may make their local arrangements.

For your information, our tentative allotment of the \$38,000 for United Nations audit is that, including costs of the Board on the plan now proposed, the 1950 cost will approximate \$36,000. The remaining \$2,000 is being reserved for unforeseen work. This figure does not include the cost of the UNRPR audit, nor that of UNICEF. As to the latter, Mr. Sroka advises that he is reserving \$10,000.

Yours sincerely,

(Signed) WATSON SELLAR  
Auditor General of Canada

Mr. H. C. Andersen,  
Director,  
Bureau of Finance,  
United Nations,  
Lake Success, N. Y.  
U.S.A.

/Re Financial

Re Financial Arrangements with Board of Auditors

1. The Director of Finance has indicated that, in view of the recent amendments to the General Assembly resolution concerning the audit, it would be helpful were the Board of Auditors to submit a memorandum respecting Board costs and, especially, with respect to a basis of payment to the members.

2. We, naturally, are not disinterested persons; but we remain members of the Board only so long as (a) we severally continue to hold the office of a national auditor-general (or the equivalent title), and (b) our respective countries are selected by the General Assembly to provide auditors. Consequently, in this submission we will endeavour to evaluate needs of United Nations in order to suggest a formula which may meet requirements for some years to come.

3. Present practice is to reimburse each country concerned the amount disbursed for salary and/or expenses to its auditor-general when he is performing duties for United Nations. Our recommendation is that United Nations compensate for the value of services rendered to it, and leave it to each member of the Board to settle with his national government the question of whether all or part of his salary shall continue to be paid when he performs duties as a member of the Board of Auditors. The factors and considerations which influence national salary rates are of little assistance in calculating the value of services to United Nations. For example, in some countries the status is that of a minister and in others that of an administrative official. On the other hand, the service to UN is strictly professional and shared in common.

4. The procedures of United Nations permit daily payments to specialists and consultants. We entertain doubts as to the application of such a practice to the Board of Auditors. One reason is that, were the payment regulated by days spent on Board work, a situation might some time arise when Board sessions were unduly prolonged. We regard it of importance that annual sessions of the Board be as brief as possible, otherwise appointment to the Board will lack attractions. It has always to be borne in mind that Board work is an added task, and if it interferes unduly with national duties, a conscientious auditor-general will send a subordinate to represent him on the Board. That would not be in the interests of United Nations.

5. Experience is that the annual session of the Board lasts thirty days. The members are, of course, in travel status for a further period coming to and returning from the session. In addition, they individually must spend certain periods of time on special tasks and audits and in attending before committees, etc. The maximum time-load in this regard falls on the chairman, who, in 1949, spent 82 days on Board of Auditors' work; but this may be exceptional because it was due, in part, to the Chairman of the Fifth Committee stating, when the Audit Report was under consideration, that various paragraphs might be discussed during consideration of the Budget Estimates. We take it for granted that neither the Organization nor the Member countries directly concerned contemplate that membership on the Board of Auditors be a source of profit to auditors-general. Instead, any payment made will be primarily to reimburse the individual for special costs incurred, or losses sustained, by reason of absences from home and normal duty. In other words, the fee should not be established by making comparisons with the amount charged for a partner's services when a commercial auditor

/certifies accounts.

certifies accounts. What is wanted is something that guarantees the auditors-general against monetary loss and at the same time places them under obligation to the Organization.

6. Having reviewed various alternatives, it is our opinion that the Organization should select an annual fee plan. The duties on members vary, but as they serve as equals, we consider that the best way to fix the fee will be to calculate it in relation to the annual session of the Board when all members are in attendance to perform the prime duty of the Board, namely, certifying the accounts. Our recommendation is that one month be taken as the normal length of a Board session, and that each member be paid \$1,500 and the chairman an additional \$500.

7. It is assumed that the members will be paid actual costs of transportation between their national capitals and the place of meetings, but local transportation costs, cables and other expenses incurred in personal capacity will be borne by them.

8. It is also taken for granted that a daily living allowance will be paid while on Board duty. With the exception of the Ukrainian S.S.R. (whose representative was a resident of New York) the Member Nations represented on the Board have claimed reimbursement at the rate of \$25 a day for their auditors-general. Based on experience of New York costs, we recommend that that rate be continued. However, while the United Nations will have under paragraph 6 above, a safeguard against time wastage during the annual session of the Board, it has no like protection when a single member is on Board work - for example, attending before a Committee. We therefore suggest that the living allowance per diem, in such circumstances, be reduced to \$20 - a level below that which various countries allow officers of like rank when in representative capacity at United Nations.

9. The practice of reimbursing governments the actual cost incurred in making examinations of accounts and records should be continued. The General Assembly having authorized the Board to "engage commercial public auditors of international repute", it is good practice to treat such costs - when the work is performed by government staffs - on the equivalent of a contract basis.

10. For the time being, we have not concerned ourselves with problems which may arise when the plan of joint audit of UN and Specialized Agencies takes effect (particularly the annual conferences); consequently we reserve opinion until that plan takes form.

Watson Sellar  
On behalf of the members  
of the Board of Auditors

COPY

ANNEX B

AFS 51/14/02 (UN 1949)

14 March 1950

Dear Mr. Sellar,

Thank you for your letter of 7 February 1950 giving the views of the Board of Auditors on the method of payment of audit costs.

I am in general agreement with the Board's recommendations, but would like to suggest that the subsistence allowance be paid in accordance with our general rules on payments of subsistence allowances to members of expert bodies of the General Assembly. At present the standard amount of the per diem subsistence allowance for expert members of Commissions and Committees is \$20, except for individuals whose post or permanent residence is within twenty-five miles of the place of meeting, in which case the rate is \$10 per day. This rate is not varied according to the type of duty. However, it is noted that the Advisory Committee has recommended that a review be made of the adequacy of the subsistence allowance by the Secretary-General in consultation with the Committee, and that a report be submitted by the Advisory Committee to the Fifth Regular Session of the General Assembly.

If this is agreed, the whole position would be as follows:

- (a) Each member of the Board would be paid an annual fee of \$1,500, and the Chairman an additional \$500.
- (b) Each member of the Board would be entitled to a daily subsistence allowance of \$20 (pending re-examination of the question by the General Assembly) while on duty in accordance with the rules governing subsistence allowance for members of expert bodies of the General Assembly.
- (c) Transportation costs of the members of the Board would be paid by United Nations in accordance with the rules governing transportation costs for members of expert bodies of the General Assembly.
- (d) Where governmental audit staff is engaged in the examination of accounts and records, the government(s) concerned will be reimbursed the actual cost of providing such staff.

/Could you please

A/CN.1/R.22  
Page 6

Could you please let me know in due course if the above summary is acceptable to the Board of Auditors? In view of the long debate concerning emoluments of members of the International Law Commission during the last session of the General Assembly, I believe the Secretary-General will wish to seek the advice of the Advisory Committee at its spring session before a final decision is made.

Yours sincerely,

H. C. Andersen  
Director, Bureau of Finance

Watson Sellar, Esq.,  
Auditor-General of Canada,  
Confederation Building,  
Ottawa, Canada.

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