

UNITED NATIONS
GENERAL
ASSEMBLY



Distr.
GENERAL

A/2974
20 September 1955

ORIGINAL: ENGLISH

Tenth session

REVIEW OF AUDIT PROCEDURES OF THE UNITED NATIONS
AND THE SPECIALIZED AGENCIES

Report of the Secretary-General

1. The General Assembly, at its ninth session (resolution 871(IX)) took note of the report^{1/} submitted by the Secretary-General at that session on the question of a review of the audit procedures of the United Nations and the specialized agencies, and decided to postpone consideration of the item until the tenth session. The decision to postpone consideration was based upon a recommendation to that effect by the Secretary-General, since at that time he did not wish to offer concrete proposals, pending his obtaining the advice of the Assembly regarding the internal organization of the work of the Secretariat.
2. The Secretary-General is now in a position to present proposals for consideration by the General Assembly. These proposals are set out below, prefaced by a summary of the previous action taken by the Assembly in this connexion.
3. The matter under reference originated in resolution 672 B (VII) adopted at the seventh session of the General Assembly, reading as follows:

"The General Assembly,

"Noting the increase in the activities of the United Nations and the specialized agencies and the related increase in their financial responsibilities,

"1. Considers that the present system for the audit of their financial accounts may not be the most suitable and efficient that can be devised to meet these increased requirements;

1/ See Official Records of the General Assembly, Ninth Session, Annexes, agenda item 44, document A/2746.

"2. Invites the Secretary-General and the executive heads of the specialized agencies, in consultation with the Joint Panel of Auditors, to review in the Administrative Committee on Co-ordination the present audit procedures and arrangements, and to make appropriate recommendations on any changes or improvements they may consider desirable;

"3. Invites the Governments of Member States to submit any views or recommendations they may have on this question to the Secretary-General for his consideration and for transmittal to the specialized agencies and the Advisory Committee on Administrative and Budgetary Questions;

"4. Requests the Advisory Committee on Administrative and Budgetary Questions to examine the recommendations of the Administrative Committee on Co-ordination and to report thereon to the General Assembly at its eighth session;

"5. Decides to include an item in the provisional agenda of the eighth session of the General Assembly entitled "Review of audit procedures of the United Nations and the specialized agencies."

4. At its eighth session, the General Assembly considered a report by the Secretary-General (A/2479), in which he expressed his agreement with certain conclusions reached by ACC that as regards the specialized agencies there did not appear to be at that time any need for a general change in the type of audit arrangements then in existence. As regards the United Nations itself, the Secretary-General expressed the view that a change in the audit arrangements could only be dealt with satisfactorily as an integral part of a more general review of the administrative structure of the Secretariat. Based upon these considerations, the General Assembly decided to postpone consideration of the question until its ninth session (resolution 768 (VIII)).

5. The Secretary-General's report on the matter to the ninth session of the General Assembly (A/2746) recalled the views expressed by the Advisory Committee, and strongly endorsed by the Fifth Committee at the eighth session, that any full-time staff that might be set up to deal with questions of external audit should not replace the existing Board of Auditors or impair the accepted principle that final responsibility for external audit should rest with governmental auditors. This view received further endorsement in the report of the Fifth Committee at the ninth session^{2/} at which time reference was also made to the desirability of maintaining and, if practicable, enlarging the scope of co-operation in the Joint Panel of Auditors.

^{2/} Official Records of the General Assembly, Ninth Session, Annexes, agenda item 44, document A/2776.

6. In preparing the present proposals, the Secretary-General has been guided by the views expressed by Member States in the Fifth Committee, particularly regarding the maintenance of the principle of audit under the supervision of governmental auditors, as well as by the views submitted directly to him by Member States in response to the request contained in resolution 672 B (VII). As regards the application of any changes to the arrangements regarding the specialized agencies, there have been no further developments beyond the position as noted in the report submitted at the eighth session (see paragraph 4 above) which would indicate that any action is required at this time. The principles which commended themselves to the General Assembly in 1949 (resolution 347 (IV)) and to the assemblies or conferences of the majority of the specialized agencies continue to govern the audits of the various organizations, which are carried out under the direction of members of the Joint Panel of Auditors. Thus, in this respect, the principles of co-operation have been maintained, while the proposals now put forward provide the possibility of their enlargement.

7. In preparing his proposals, the Secretary-General has also been guided by the following general principles:

- (a) The need to assure to the General Assembly the availability for the external audit of the Organization, of the audit skills of all Member States without imposing upon a Member the onerous burden of providing a large number of trained staff, which may often only be feasible for the larger countries;
- (b) The assurance of a reasonable degree of continuity in the audit but without losing the availability of the varied national auditing skills of all Member States;
- (c) The need to provide an audit of a sufficient degree of efficiency to protect the interests of Member States without excessive costs and without duplication of effort;
- (d) The desirability of providing a scheme which would not only be suited to the immediate requirements of the United Nations, but could readily be adapted for utilization by the specialized agencies.

8. It is to be noted that the Organization has been particularly fortunate hitherto in having on the Board of Auditors members with highly efficient auditing standards who have available, at no great distance from the sites of

audit, a sufficiently large staff to carry out the detailed audit procedures. This arrangement has provided an efficient audit at a minimum cost, while continuity has been achieved through the re-appointment of retiring members of the Board. This, however, has tended to throw a continuous heavy burden on a limited number of Member States and has inevitably restricted the use of national skills. It is clearly the case, furthermore, that should a member of the Board able to furnish the necessary staff not be drawn from a country adjacent to the site of audit, but perhaps from a country many thousands of miles away, the audit costs under the existing system would be substantially increased. As an indication of the burden of furnishing staff, it may be noted that the external audit work for the United Nations Headquarters accounts alone requires the services of from six to eight persons for an interim examination in the latter part of each year and a final examination in the spring, covering a total period of about ten weeks.

9. In accordance with the principles outlined above the following proposals are made:

- (a) The Board of Auditors elected by the General Assembly under the existing regulations would continue to function with its existing terms of reference, but would be relieved of the burden of furnishing staff to carry out the detailed audit work;
- (b) An "Office of External Audit" would be established, consisting of a small permanent staff, headed by a Chief Auditor, and supplemented as required by secondments from national audit services; this Office would provide the audit services for the Board of Auditors;
- (c) The Board of Auditors would appoint the Chief Auditor on the basis of nominations by the Secretary-General;
- (d) The staff of the Office of External Audit would be appointed by the Chief Auditor and would be responsible to him in the exercise of their functions;
- (e) The conditions of service of the staff of the Office of External Audit would conform to the Staff Regulations of the United Nations Secretariat adopted by the General Assembly and the rules promulgated thereunder by the Secretary-General. The administrative and financial services of the Secretariat would be utilized for carrying out the administrative functions relating to the Office of External Audit;

- (f) The Secretary-General would, in consultation with the Board of Auditors, make the necessary arrangements for the Chief Auditor and his staff, with the object of assuring the full independence of such staff in carrying out their duties;
- (g) The appropriations to finance the related costs, as well as those directly appertaining to meetings of the Board of Auditors, would be made by the General Assembly in the regular budget of the United Nations, upon the recommendations of the Secretary-General after consultation with the Board.

10. In addition to the duties now carried out by staff directly employed by members of the Board of Auditors, the Office of External Audit might assume certain of the functions now carried out by the Internal Audit Service, excluding, however, the internal control responsibilities which, under the Financial Regulations of the Organization, rest with the Secretary-General; these latter functions would devolve upon the Controller.

11. It is the opinion of the Secretary-General that reductions in over-all costs could be obtained by adopting the system outlined above, through the elimination of overlapping functions inherent in the present triple-phase control system and the substitution of a dual control system conforming to the essential requirements of (a) an over-all control by the General Assembly; and (b) an internal control by the Secretary-General over the actions of his officers. The system would, furthermore, protect the Organization against the possibility of a substantial increase in external audit costs which might well arise as a result of changes in the geographical distribution of the membership of the Board of Auditors. However, the Secretary-General believes that the General Assembly will wish to base its decision fundamentally on an assessment of the intrinsic merits of the plan proposed, but envisaging the likelihood of savings and, certainly, the assurance that no added costs will be involved. On this basis, it is suggested that the budgetary provisions as proposed in the 1956 budget estimates should be maintained, subject to an authorization to make the necessary transfers entailed in implementing the plan.

12. Finally, it is noted that the plan would apply initially to the audits of the United Nations and of the relief agencies currently carried out by the Board of Auditors, subject to reimbursement to the United Nations of audit costs incurred in respect of the extra-budgetary accounts. The services of the Chief Auditor and his staff could, however, be made available to any specialized agencies who might wish to participate, also on a reimbursement basis.
