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

Report of the Fifth Committee

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1. In accordance with the decision of the General Assembly at its 530th plenary meeting held on 30 September 1955 regarding the allocation of agenda items, the Fifth Committee at its 503rd meeting held on 1 November 1955 began a discussion of the item "Review of audit procedures of the United Nations and the specialized agencies". The discussion, which was based on a report (A/2974) of the Secretary-General and a related report (A/2990) of the Advisory Committee on Administrative and Budgetary Questions, continued over a series of meetings ending with the Committee's 521st meeting held on 2 December 1955.
2. The question of a review of audit procedures of the United Nations and the specialized agencies had stemmed from resolution 672 B (VII) adopted by the General Assembly at its seventh session. The General Assembly had further decided, at its eighth and ninth sessions (resolutions 768 (VIII) and 871 (IX) of 27 November 1953 and 29 October 1954 respectively), to defer consideration of the matter pending the completion by the Secretary-General of his review of the administrative structure of the Secretariat; it was pursuant to resolution 871 (IX), that the Secretary-General had made certain proposals in connexion with the audit procedures of the United Nations which were the subject of the Committee's consideration at the current session.

3. In presenting his proposals, the Secretary-General had 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 independent and efficient audit 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 of the specialized agencies.

In paragraph 9 of his report, the Secretary-General had made certain proposals, based on these principles, whereby the existing Board of Auditors, while retaining full and final responsibility for the audit, should be assisted by a full-time Chief Auditor appointed by the Board of Auditors on the basis of nominations by the Secretary-General. The Chief Auditor would be in charge of an "Office of External Audit" and would appoint thereto a small permanent staff, supplemented as required by secondments from national audit services, who would be responsible to him in the exercise of their functions. 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.

4. The Advisory Committee, in its report, gave special emphasis to the advantages which it saw in the maintenance of a system which had been successfully applied in the United Nations since 1946 and which the experience gained during that period had demonstrated to be a sound system. The Advisory Committee commented, however, on the details of the alternative plan proposed by the Secretary-General and, with a view to underlining the absolute independence of any new Office of External Audit which it might be decided to establish, recommended that the appointment of the Chief Auditor should rest with the General Assembly acting on the basis of nominations by the Board of Auditors.

The Advisory Committee also drew attention to the particular qualifications and experience which, in its view, should be looked for in the holder of the office of Chief Auditor, and in view of the wide powers which would rightly be vested in such an official, had stated its opinion that any appointment made to such a post should not be easily terminable. While agreeing that the staff of the proposed Office of External Audit should be appointed by the Chief Auditor and serve under conditions laid down in the Staff Regulations of the United Nations, the Advisory Committee further considered that secondments from national audit services should normally represent at least one-half of the staffing of such an office and that the staff should be answerable, through the Chief Auditor and the Board of Auditors, to the General Assembly.

5. The Fifth Committee believed that the existing system of external audit had been highly satisfactory as far as the audit of the United Nations was concerned. Many delegations shared in paying tribute to the work of the members of the Board of Auditors and particularly its present Chairman, the Auditor-General of Canada. They wished also to place on record their appreciation of the acceptance over a number of years by the Government of Canada of the burden of providing a large portion of the audit staff which had been required to perform the audit work under the Board's direction.

6. There was general agreement among the representatives who took part in the discussion, that the fundamental principle which should underlie the system of audit was that it should be wholly external and independent of the Secretariat. It was generally considered by the Committee that, in accordance with this principle, the basic responsibility for the audit should continue to rest with governmental auditors. The importance of assuring to the Organization the availability of the audit skills of all Member States without imposing an onerous burden of providing staff and at the same time of providing for a reasonable degree of continuity in the audit, was emphasized. It was also stressed that, while the avoidance of excessive costs and duplication of effort as between the external and internal audit arrangements was important, the primary consideration should be to secure an efficient audit. An aspect of the matter which was commented on frequently during the discussion was the necessity to approach the question from the standpoint of providing that the needs of Governments in the matter of audit arrangements for the whole family of United Nations organizations should not be overlooked. In this connexion, the desirability was stressed of

undertaking further consultations with the heads of specialized agencies to see if practicable developments to this end could be realized.

7. During the discussion, a number of delegations commented on the specific questions contained in the reports before the Committee. They recognized that if the existing Board of Auditors, while retaining full and final responsibility for the audit, could be assisted by a full-time Chief Auditor with supporting staff for carrying out the auditing services an effective result might be achieved. As regards a Chief Auditor, there was considerable support for the recommendation of the Advisory Committee that he should be appointed by the General Assembly, acting on the basis of nominations by the Board. It was the view of the Committee that an appointee to any such office should have served for a reasonable period in the audit service of a national Government, at a level of recognized responsibility. It was considered also that any person selected for this purpose should not have served within a previous period of five years in any capacity in the Secretariat of the United Nations or of a specialized agency. The recruitment of the greater part, if not all, of any staff provided for the Chief Auditor by secondment from national government audit services on short-term periods was strongly endorsed. Such an arrangement, which would provide through a process of rotation for many Governments to participate in this important work, was believed to be one which would have distinct advantages. The recommendation of the Advisory Committee that the appointment of a Chief Auditor should have a non-renewable term of seven years, a period which took due account of any stipulated length of previous experience, was also commented on in the discussion. The principle of a non-renewable term received much favourable comment; while opinions differed regarding the length of such a term, a period of from five to seven years was considered by a number of delegations to be appropriate.

8. The considerations on which the question of terminating the appointment of a Chief Auditor should be based, were recognized as being of fundamental importance. In this respect, there was a large measure of support for the view of the Advisory Committee that the power of removal should be retained by the General Assembly, exclusively on the proposal of the Board of Auditors.

9. As the Fifth Committee discussed ways and means of giving practical effect to the principles embodied in the reports before it, it became evident that there was a substantial feeling among the members that the time was not ripe to make definitive recommendations to the General Assembly. The Committee, for instance, would have welcomed the comments of the Board of Auditors on the issues before it. In view of the possibility that any revised audit system might be applied to the specialized agencies, a matter which was not an intrinsic element in the plan put forward by the Secretary-General, the Committee would also have welcomed the comments of the heads of the specialized agencies and of their external auditors on the proposals, particularly as they related to the possibility of developing a common system of audit which would meet the requirements of the United Nations and of the specialized agencies and in which the agencies would be willing to participate. It was also felt that the recommendation of the Fifth Committee (A/3060) that the Auditor-General of the Netherlands should be appointed by the General Assembly at the present session as a member of the Board of Auditors, and the willingness of that Government to make its contribution, to the extent required, in providing technical audit staff for the conduct of the audit, had in effect disposed of the need to reach at the current session decisions on questions which the Committee believed, merited further exploration in view of their far-reaching consequences.

10. At its 521st meeting on 2 December 1955, the Committee considered a draft resolution (A/C.5/L.360) submitted jointly by Australia, Canada, Denmark, the United Kingdom and the United States of America, which would defer until the twelfth session of the General Assembly a decision on the question of a review of audit procedures and, in order to facilitate the General Assembly's future consideration of this problem, would request the Secretary-General, in the meantime, to consult with the Board of Auditors and **with** the heads of the specialized agencies and their external auditors, on the questions on which the Committee had focused its attention.

11. The sponsors of the draft resolution accepted an amendment submitted by the representative of India, to the effect that the provisional agenda of the twelfth session of the General Assembly should include the item "Review of audit procedures of the United Nations and the specialized agencies". It was understood by the Committee that the further reports requested, which would follow from the desired consultations, would be made available to Member States well in advance of the opening of the twelfth session.

12. The draft resolution, as amended, was approved unanimously by the Committee.
13. Accordingly, the Fifth Committee recommends to the General Assembly the adoption of the following draft resolution:

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

The General Assembly,

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

Noting the views expressed during the consideration of these reports at the tenth session of the General Assembly, including particularly the interest shown by many Member States in the development of a common system of external audit which would continue to meet the increasing audit requirements of the United Nations and the specialized agencies suitably and efficiently,

1. Requests the Secretary-General:

(a) To consult with the Board of Auditors and with the heads of the specialized agencies in conjunction with their External Auditors on the possibility of developing a common system of audit which would meet these requirements and in which the agencies would be willing to participate;

(b) To submit, in time for a final decision to be reached by the General Assembly at its twelfth session, a report recording the progress made in the discussions and recommending a future course of action including detailed suggestions for any proposed changes, together with the comments of the Advisory Committee on Administrative and Budgetary Questions on these matters.

2. Decides to include in the provisional agenda of the twelfth session of the General Assembly an item under the title "Review of audit procedures of the United Nations and the specialized agencies".
