



Ninth session

UNITED NATIONS: FINANCIAL REPORT AND ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 1953 AND REPORT OF THE BOARD OF AUDITORS

Third report of the Advisory Committee on Administrative and Budgetary
Questions to the ninth session of the General Assembly

1. In accordance with its terms of reference, the Advisory Committee on Administrative and Budgetary Questions has considered the report of the Board of Auditors on the Accounts of the United Nations for the year ended 31 December 1953.^{1/}
2. The Advisory Committee has given special attention to two matters considered by the Board of Auditors in paragraphs 10 and 11.^{2/} The first matter, which is referred to in paragraph 10, concerns a case in which the granting of leave beyond the amount prescribed in Staff Rule 105.1 had the effect of extending a staff member's period of service with the United Nations to slightly more than five years, with a consequent material increase in the withdrawal benefit payable out of the Pension Fund. On that ground the Board of Auditors raises the question "as to the extent that a participating organization may burden the Fund by extending special treatment to staff members on termination".
3. The Advisory Committee was assured by the Secretary-General that, while this matter would be the subject of further study in conjunction with the Joint Staff Pension Board, it seemed likely that, under the employment practices and review procedures now in force, similar cases would in future be of very rare occurrence. In the opinion of the Committee, a staff member should not be granted additional

1/ See Official Records of the General Assembly, Ninth Session, Supplement No. 6, document A/2649.

2/ The references are to paragraphs in the audit report.

leave for the sole purpose of increasing his entitlement under the Pension Fund. Any deviation from this principle seems undesirable, both on financial grounds and from the standpoint of an equitable personnel policy.

4. The second matter is referred to by the Board of Auditors in the second part of paragraph 10 and in paragraph 11. The case there cited, which appears to be the only one so far recorded in the United Nations, involves a definition of the term "pensionable remuneration" as used in article I.3 of the Regulations of the United Nations Joint Staff Pension Fund. It raises the question whether an assumed or notional figure of remuneration exceeding the actual net base salary of a participant may properly be construed as pensionable remuneration within the meaning of the regulation.

5. The facts are stated in paragraph 10, where the Board of Auditors observes that the case presents a question of policy. By its further comments in paragraph 11 the Board clearly indicates that a question of law - how to interpret the definition appearing in article I - is also involved.

6. On the question of policy, the Advisory Committee recalls that the principle of equality of treatment among staff members is laid down in one of the earliest resolutions of the General Assembly (resolution 13(I) of 13 February 1946 on the organization of the Secretariat). Therefore, even on the Secretary-General's interpretation of article I, there remains the question whether it is equitable to single out for preferential treatment a particular staff member and, if so, on what grounds similar treatment may be denied to other members of the staff who have accepted a renewal of appointment at lower salary levels. The interest in maintaining, for pension purposes, the average of the annual pensionable remuneration is common to all such cases.

7. As regards the interpretation of article I, the Board of Auditors offers in paragraph 11 a cogent argument in favour of a restrictive definition. Note may also be taken of the practice of including in the Administrative Manual of the United Nations a table of pensionable remuneration showing by each post level - and by each step within the various levels - the amounts on which the statutory contribution of 21 per cent is to be calculated. The Advisory Committee considers that this practice fully accords with the intent of the General Assembly: the

pensionable remuneration should be determined solely by reference to the actual salary received by the participant, and it is on this basis that the actuarial valuation is periodically undertaken. In the view of the Committee, the action taken in this particular case was not warranted, and should be corrected. Specifically, the Committee considers that the payments made in excess of those appropriate to the actual salary received should be treated as overpayments.

8. In a separate report^{3/} on the contractual travel arrangements of the United Nations, the Advisory Committee has offered comment on the use of "soft" currencies in connexion with travel expenditures, a matter to which the Board of Auditors refers in paragraph 12 of its report. The Committee has been assured that it is the current practice, wherever feasible, to make all such payments and reimbursements in "soft" currencies, and that, to this end, every effort is made to ensure that the travel of representatives (where reimbursable) or of expert members of commissions and committees shall be arranged through the United Nations travel agency or, where this is not practicable, shall be reimbursed in the currency of purchase.

9. In paragraph 8 of its report, the Board of Auditors draws attention to the differing accounting practices at present applied to the various commercial operations of the United Nations (Bookshop, Visitors' (Guided Tours) Service, Gift Centre, etc.) and suggests that "sufficient experience has now been gained to permit rationalization of financial treatment." This matter, on which the Advisory Committee has already commented in some detail^{4/}, will be further reviewed during 1955 on submission of a special study now being made by the Secretariat. Some of these activities already yield an appreciable revenue to the United Nations. But whatever may be the position in this respect or the arrangements for the conduct of such operations, since they are undertaken in the United Nations Building public opinion will inevitably regard them as an integral

3/ See Official Records of the General Assembly, Ninth Session, Supplement No. 7. document A/2688, paragraphs 36 to 42.

4/ Ibid., paragraphs 250 to 254.

part of the activities of the United Nations and will ascribe responsibility accordingly. The Committee therefore considers not only that there should be a reasonable measure of consistency in their management but also, and even more important, that their financial operations should be brought annually under the scrutiny of the General Assembly.

10. The financial report submitted by the Secretary-General in document (A/2649) contains in paragraph 19 a list of ex gratia payments authorized during 1953 under financial regulation 10.3, which grants to the Secretary-General discretion in respect of such payments. The largest single group of payments (\$13,926) rests on clear authority, and such items as may, in the Committee's opinion, be open to question are individually and collectively of small amount. In the case relating to a staff member of the International Court of Justice, the Committee finds that the payment might have been obviated by timely action on the Court's formal request for an extension of the official's term of appointment. In other cases, items are shown to be attributable to administrative error, and a part of the resultant over-payments has been recovered from the officers concerned. As regards certain of the ex gratia items charged to the Expanded Programme of Technical Assistance, the Advisory Committee suggests that possibly a system of compulsory insurance might be considered in cases where such provision is not precluded by reason of the expert's age or the climatic conditions in the area of his service. Attention is also drawn to the reference in the report of the Board of Auditors on the 1953 accounts of the Expanded Programme (A/2469, page 43, paragraph 8) to the risk that, since ex gratia payments are not subject to review by the Technical Assistance Board, participating organizations may fail to adopt a consistent approach in the review of claims.

11. The Secretary-General submits annually to the Advisory Committee a list of any payment exceeding \$500 (in the aggregate) made to an expert or consultant during the previous financial year. While the Committee has queried certain of the items in the 1953 list, both in respect of the purpose and the scale of payment, only one such item is here noted: a payment of over \$5,000 to a consultant on problems of disarmament. The Committee notes in this connexion that, since the beginning of 1954, funds for the engagement of consultants have

been administered centrally by the Bureau of Finance, and that they will be consolidated in a single appropriation section of the 1955 budget. Both these measures will undoubtedly make for a more stringent control.

Scope of the 1954 audit

12. In accordance with the provisions of financial regulation 12.2, the Board of Auditors has consulted the Advisory Committee on the scope of the 1954 audit. The Committee has suggested certain areas in the accounts as possible subjects of special attention.
