

CM/241

COUNCIL OF MINISTERS
Twelfth Ordinary Session
Addis Ababa, February 1969

REPORT BY THE BOARD OF EXTERNAL AUDITORS ON
THE ACCOUNTS OF THE ORGANIZATION OF AFRICAN
UNITY FOR THE PERIOD 1ST JUNE, 1967 TO 31ST
MAY, 1968.



CM 0241

MICROFICHE

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INTRODUCTION

1. General : Section IX paragraph 3 of the ~~Financial Rules and Regulations~~ requires the Board of Auditors to perform an external audit of the accounts of the Organization, including all trusts accounts and special accounts; and, in addition to certifying the accounts, to 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. To fulfil the obligations spelled out in its terms of reference narrated above, the Board met in Addis-Ababa between 14th November and 22nd December, 1968.
2. We have audited the accounts of the Organization of African Unity for the period 1st June, 1967 to 31st May, 1968. This year, we have also visited two Regional Offices, namely Dar-Es-Salaam and Lagos, and have examined their books. All queries which are of accounting nature have been discussed with the Financial Officer and his staff. We addressed a questionnaire to the Secretary-General on points which were related to policy matters or were, in our opinion, points of greater significance. Therefore, the findings reported herein are those for which we could not obtain satisfactory explanation.
3. Scope of Audit : We have audited the accounts of the Organization by examining the following books and records :

- I) The Journal,
- II) Bank Statements,
- III) Receipt vouchers,
- IV) Payment vouchers,
- V) Petty cash expenses,
- VI) Subsidiary records,
- VII) Stores records.

Because of the limited time we had to finish the work, and also the fact that ~~only three members of the Board were present during the~~ greater part of audit, and as the record keeping by the Secretariat had appreciably improved, we restricted our examination to sample checking of the various records enumerated above with the exception of collections of contributions and payment documents which were checked in detail. Furthermore, we noted that the Internal Auditor periodically checks the accounts of the Organization and that he preaudits all payment made.

4. The accounts of the two main Regional Offices, namely Lagos and Dar-Es-Salaam, have been examined. Again, due to the limited time at the disposal of the Board, the examination was restricted to questions of procedure and spot-checking of the accounts. In the course of our audit, we examined the comments made in the Internal Auditor's reports. The discrepancies found were discussed with the respective Executive Secretaries for possible justifications they may have had thereon. Attached hereto, as Annexes VI and VII are our reports on the two regional offices visited by us. Our comments on the New York office are based on the observations made by the Internal Auditor in his report on the 1967/1968 account. Annex VIII.

5. State of the Accounts : As in the previous year the accounts were, on the whole, neatly kept and rendered promptly for audit. Reference was made in last year's report to certain innovations in the form of the accounts which were intended to improve the accounting system. The period under review saw a consolidation of the new system with satisfactory results. However, shortcomings in the finance department were observed by the Board which were discussed with the Finance Officer. In particular the Board noted that the accounts were not balanced with the journal figures. If the amounts were balanced with the control figures, many discrepancies detected by the Board could have been avoided.

6. Financial statements : According to article 2 of Section XIII of the Financial Rules and Regulations, the Secretariat should prepare financial statements at intervals as prescribed by the Secretary-General. During the year 1967/68, two financial statements

as at 31st January, 1968 and 31st May, 1968, were prepared. The first statement was prepared for the Council of Ministers Conference held in February, 1968 and the latter to cover the year-end accounts. In the opinion of the Board ~~two statements~~ a year are not sufficient. It is, therefore, recommended that financial statements be issued at the end of each quarter to enable the Secretary General to review regularly the financial position of the Organization. This will permit the Finance Department to appraise the accounts periodically.

7. In order that the Balance Sheet may reflect the true financial position of the Secretariat at a given date, we consider that it should include all assets and obligations. In this respect, the following items which were not made part of the Balance Sheet in the past should be incorporated therein.

- (i) Overpayments of contributions by Member States should be reflected as liability.
- (ii) The Cash Balances on hand or in Bank at the Regional Offices, which incidentally are large amounts as summarized hereunder, should be indicated as such under Current Assets : -

a) Cash balance with the Liberation Committee in Dar-Es-Salaam :	US \$ 36,512.30	
<u>Add</u> payment made erroneously by Mauritania to the Liberation Fund	<u>34,423.92</u>	70,936.22
b) Cash balance with Lagos Regional Office		212,232.70
c) Cash balance with New York Regional Office		<u>53,230.43</u>
Total		<u>336,399.35</u> =====

The Balance Sheet as prepared by the Secretariat does not reflect nor take cognizance of the fact that the above amounts belong to the Organization. Enclosed herewith, are copies of the Balance Sheet, Statement of Contribution and Statement of Expenditure as Annexes I, II and III.

REVENUE

8. ~~The Assessment for contribution by Member States was made on~~ the same scale as in the preceding year. The total amount of contributions collected from Member States during the year under review is US \$ 1,428,504.10 which is made up as follows :

General Working Fund.....	US \$ 1,393,702.43
Payment erroneously made to Liberation Fund by Mauritania..	34,423.92
Capital Working Fund	<u>377.75</u>
	<u>1,428,504.10</u>
	=====

9. The problem of arrears has continued to exist in spite of the collection efforts made by the Secretariat. Some countries have failed to pay their contributions for many years. The Board wishes to renew the recommendation made in its previous reports to apply sanctions or take some other type of action against Member States who have repeatedly defaulted.

10. Receipts : In spite of the regulations contained in paragraph 2 of Section IV of the Financial Rules and Regulations; comments passed by the Board in the previous reports and reminder by the Administrative Secretary General, the Finance Department has failed to issue official receipts for the following amounts received by the Secretariat :

Mr. Warsama - Payment of loan Eth.\$	3,212.15
Refund "	300.00
Refund of dependency allowance "	197.92
" " " " " "	187.50
Zambia's contribution for PATU U.S. \$	2,400.00

In this connection, we wish to repeat the remarks in the previous years' reports regarding the absolute necessity to issue official receipts for all monies collected by the Secretariat. It was also observed that receipt vouchers were issued out of sequence for no obvious reason. In order to establish effective control over intake of money, it is essential to issue receipts in sequence.

11. The receipts issued by the Secretariat during the year have been accounted for with the exception of receipt N° 0097 which is alleged to have been destroyed. According to information received, 10 books of 50 receipts each were printed by the Secretariat in March 1966. All the receipts were either issued or were found in stock except for the following :

Receipt N° 251-300	-	1 Book
-do- 451-500	-	1 Book

It was stated that these had been issued to the Regional Offices. The Chief Finance Officer was advised to establish records for the proper control of printed receipt forms.

12. Miscellaneous Incomes : No records were kept for miscellaneous income received and the Board had to go through the various books of prime entry in order to verify the income derived. It is, therefore, suggested that a ledger card be kept wherein income of this nature will be recorded.

13. Advances - General : The balance outstanding in respect of advances granted to members of staff amounted to U.S. \$ 48,896.19 as at 31st May, 1968. This balance showed an increase of U.S. \$ 14,892.41 over the previous year's figure. Whilst records kept of the individual advances appeared to be adequate, the Board observed that the individual balances were not reconciled with a control account. In order to reduce the risk of certain advances being overlooked, it is recommended that a control account be created and that the individual advances be balanced monthly against this account at regular intervals.

14. Advance-Government of the Gambia : The sum of US \$ 9,411.16 charged to an advance account in the name of the Government of the Gambia represents the expenses incurred by the Organization of African Unity in connection with a meeting of the Advisory Committee on Budgetary and Financial Matters held in Bathurst in July 1967 upon the invitation of the Government of the Gambia. The Board was informed that it was a prior condition to the meeting being held in Bathurst that the expenses thereof would be reimbursed to the OAU, but at the time of writing this report i.e. 18 months after the expenditure was incurred, the necessary refund had not been made.

We have been advised by the Secretary General that this point together with the arrears on contribution due from this Member State was discussed with the Gambian delegation in Algiers. We were not however, informed of the outcome of this discussion.

15. Advances - Members of Board of Auditors : A total amount of U.S. \$ 1,050.00 is recorded in the accounts of the General Secretariat as advances against three officers who previously served on the Board of External Auditors. Enquiries made into the background of these advances by the present Board have disclosed that the amounts were additional "per diem" allowances granted to the officers concerned when they travelled to Tanzania for the purpose of an on-the-spot audit. It was apparent that the allowances were debited to advance accounts in the absence of a specific vote in the budget to accommodate the charge. In the circumstances, the Board recommends that consideration be given to adjusting the advances to a vote, to the extent of each member's entitlement to "per diem" allowance.

16. The Working Capital Fund : The balance on the Fund stood at U.S. \$ 416,480.57 as at 30th May, 1968 and included interest amounting to U.S. \$ 25,305.21 which accrued during the year. As stated at paragraph 33 of the previous year's report interest earned on this Fund should have been credited to miscellaneous income in accordance with paragraph 1 of Section VI of the Financial Rules and Regulations. In another regard, the General Secretariat omitted to comply with a section of the regulations pertaining to the transference of the balance of appropriations to the Working Capital Fund. At the end of the year under review, the Secretariat failed to transfer to the Fund, as required by Section IV, paragraph 2 of the Financial Rules and Regulations, savings in the sum of US \$ 179,333.82 achieved over the 1967/68 Budget.

EXPENDITURE

17. The Budget : The budget of the Organization of African Unity for the financial year extending from 1st June, 1967 to 31st May, 1968 was approved by the Council of Ministers at the Eighth Ordinary Session held in Addis-Ababa between February and March, 1967. At that meeting the Council of Ministers decided on a revote for the

year 1967/68 ~~the same budget as was approved~~ in respect of 1966/67 because the General Secretariat failed to submit its Balance Sheet and other relative accounts to the Council to enable it to ascertain the financial position of the Organization.

The Budget, thus approved, was subsequently reduced by 10 % at the Ninth Ordinary Session of the Council of Ministers held in Kinshasa in September 1967. Whether by design or through in advertence, the General Secretariat interpreted the limitation imposed on the Budget to mean a global reduction of 10% on the overall budget and embarked upon expenditure with the objective of spending 90% of the total appropriations. In the opinion of the Board, the ten percent cut in the Budget should have been applied prorata and individually to each item of expenditure, in which case a comparison of each allotment (reduced by 10%) with the actual expenditure would have disclosed substantial over expenditures on several votes.

18. Out-turn of Expenditures : Although as stated in the preceding paragraph the General Secretariat, in implementing the Budget, aimed at keeping within 90% of the approved total provision and thereby achieved a saving of US \$ 179,333.82 on the overall budget of US \$ 1,891,536.00 a number of the individual financial provisions for the year 1967/68 were exceeded. A list of the excess expenditures, which will require specific approval of the Council of Ministers in due course, is attached as Annex IV.

19. Review of Expenditure - The Board noted a considerable improvement in the financial administration of the General Secretariat during the year under review. We feel, however, that two areas of expenditure deserve attention with regard to the exercise of control and economies. These are the expenditures incurred on a official travel and on purchases generally. In connection with official travel, the Board noted with concern the continued incidence of excess expenditure. For the 12 months period from 1st June, 1967 to 31st May, 1968 incurred a total of US.\$ 37,946.73 on official

visits abroad which represented an over expenditure of US.\$ 22,946.73 over and above the budgetary provision of US.\$ 15,000 made in respect of this item of expenditure. In order to afford an opportunity of apprising the problem posed by official trips outside Addis Ababa, the Board has listed in Annex V to this Report particulars of payments made on account of such travels which do not include those in respect of Conferences and Meetings of organs of the OAU.

20. Comments on significant points which emerged from a detailed examination of the Secretariat's expenditure transactions will be found in the succeeding paragraphs.

21. Commutation of Leave for Cash - We have noted that many members of the staff were paid cash in lieu of accumulated leave. The Administrative Secretary General has issued a circular covering the conditions by which accumulated leave could be commuted for cash. The Administrative Secretary General's justification for paying cash in lieu of leave is that there are posts in the Secretariat provided for in the Budget which are not filled and some officers leave the services of the Organisation and also that under such circumstances pressure of work is created in the various Departments of the Secretariat. While appreciating the problems which beset the Secretariat in this respect, the Board considers that, in the absence of provision in the Staff Rules and Regulations authorising the Administrative Secretary General to commute leave for cash, the Secretariat should have submitted to the Council of Ministers a proposal for insertion of appropriate provision in the Rules and Regulations soon after the first payment of this nature became necessary.

22. Communications - The opening of a register of postage stamps recommended by the Board in the previous report and endorsed by the Advisory Committee has not been implemented. At present, the Secretariat has no control over postage stamps since the custodian of the stamps himself does the despatching of letters and presents a Statement of Stamps used monthly on which the Finance Department has no means of control. It is recommended that the stamps register previously recommended be established and that the letters be despatched by a person other than the custodian. This person should prepare a list of letters despatched which the General Services Officer and the Finance Department could employ as counter check on the monthly Statement of Stamps Used prepared by the stamps custodian.

23. Gasoline Issue - The General Services Department maintains a record of gasoline coupons purchased and used as well as records for issue of gasoline. The Department, however, does not have control over the movement of vehicles and the consumption of gasoline.

We have recommended and the Secretariat has agreed to establish a vehicle movement control sheet which would be checked by a responsible member of the Staff. It has also been agreed that a monthly ^{report} be issued on gasoline consumption, maintenance and other expenses incurred during the month. This would permit the higher officials to make a regular check on the cost of running the various vehicles.

24. Local Purchases - It was explained to us verbally that a tender Board consisting of 6 persons, under the Chairmanship of the Assistant Secretary General in charge of Administration, has been created to handle the invitation of tenders and approve all the purchases made by the Secretariat. This Board held its first meeting on 9th April, 1968.

Although the procedure requires that all purchases should be screened and approved by the Tender Board, in practice, and for items which are purchased regularly, the General Services Department merely obtains quotations and buys from the Supplier who offers the best of terms. In many instances no quotations at all are obtained. It is recommended that the tender procedure should be set out clearly and adhered to rigidly. It is further suggested that financial limits be established which will enable certain purchases to be made without recourse to tender procedure.

25. Gratuity Payment -- A Pension Scheme in which staff members contribute 7% and the Secretariat 14% of the employee's salary was put into effect from December, 1966 following the approval of the Council of Ministers at the Third Ordinary Session held in November, 1966. Following the introduction of the Pension Scheme, gratuities amounting to over US.\$ 58,000 were paid to Permanent Statutory Staff of the Secretariat who were in its employment prior to December, 1966. No Council approval was seen for the payment of the said gratuities which represent 25% of the salaries of the Staff members concerned.

In justification of payment of the gratuities the Administrative Secretary General contended that he was authorized to establish a pension scheme in the Staff Rules and Regulations, which are approved in March 1965, and that there would have been an element of injustice if these employees were not rewarded for their services prior to December, 1966 when the Pension Scheme was introduced. He further stated that since he had the right to recruit and promote staff members on contract, by the same token he can convert a permanent appointment to a contract appointment. Consequently, he approved payment of the 25% gratuity to the Permanent Statutory Staff, apparently, considering them as contract employees for this purpose.

26. We refute the above contentions on the following grounds :

- i) Even though the Administrative Secretary General may have right to convert permanent appointment to contract appointment or vice versa, he obviously could not do this retroactively as the staff members concerned would have enjoyed the benefits of their terms of employment as permanent employees or otherwise. Evidently, this right cannot be used as justification for payment of gratuities as in the present case.
- ii) On the question of rendering equitable treatment to the Permanent Statutory Staff, it should have been done by presenting the case to the Council of Ministers before effecting the payment.
- iii) Furthermore, there was no specific provision in the Budget for this payment, which caused an excess expenditure of US.\$53,668.78 over and above the vote of US.\$ 5,000 intended for payment of gratuities to legitimate contract employees.

In view of the foregoing, we are strongly of the opinion that the above payments should be refunded by the employees concerned.

27. Year-end Expenses - In the months of April and May, 1968 the Board found evidence of a sharp increase in the rate of expenditure, compared with previous months, which in the view of the Board could have been motivated by the approaching close of the financial year when huge balances unexpended on votes would have lapsed. The expenditure was in many instances on items which could not have been really needed and the intention could be none other than an attempt to exhaust the unspent balances of vote. This situation in itself points to over-estimating on votes in the Budget to which we wish to draw the attention of the Council.

Quoted hereunder are comparative figures of monthly payments which indicate an upsurge of expenditure in the last months of the year :

June 1967	US.\$	62,293.59
July "		110,166.46
Aug. "		270,163.02
September 1967		70,605.95
Oct. "		100,608.97
Nov. "		89,824.59
Dec. "		256,866.35
Jan. 1968		221,326.42
Feb. "		123,132.02
March "		87,852.77
Apr. "		425,517.02
May "		304,376.74

GENERAL MATTERS

28. Budget Objectives : In its present form, the Budget of the Secretariat is not sufficiently informative in many respects. For example, the Secretariat charged purchase of carpets amounting to U.S. \$16,528.00 to the vote for maintenance of premises. In the absence of a breakdown as

to what expenses should be charged to a vote which has general coverage, such as the vote under consideration, it is difficult to determine whether an item of expenditure has been properly charged to a vote. It is recommended that the detailed objectives of votes in the Budget should be clearly spelt out in the Budget.

29. General Ledger : At the present moment, because the Finance Department is not keeping a general ledger, the Balance Sheet of OAU is produced from the Cash Journal, other Journal Entries and Subsidiary Records. The General Ledger wherein all the financial activities of the Secretariat shall be posted monthly and balanced, would serve as safety value against arithmetical and other errors as well as insuring the proper recording of all accounting entries. It is from this book that the Balance Sheet and other Financial Statements should be produced. The establishment of a General Ledger which we highly recommended does not in any way mean that it would be a substitute for any of the records which are presently maintained by the Secretariat

30. Regional Offices : During the year under review, the accounts of the Regional Offices reflected no improvement on the position commented upon at paragraph 37 of the last report. In particular these Offices, with the possible exception of the Office in New York, ignored instructions of the General Secretariat regarding the submission of details of expenditures supported by relevant documents. It is, however, reassuring to note that lately the accounts of these Offices are being forwarded to the General Secretariat, even though the accounts of Lagos are submitted several months in arrear. Albeit, the Board is constrained to draw attention again to the recommendations made at paragraph 38 of the previous report.

31. In the course of its work, the Board observed that liaison between the General Secretariat and the Regional Offices was not always Satisfactory. For instance, it came under notice that circulars containing financial decisions taken by the General Secretariat were either not forwarded promptly or at all to the Regional Offices, with the result that the latter continued with certain types of payments which later led to audit queries.

32. General Accounting Office : It is gratifying to note that a Chief Finance Officer has been appointed and that the Office has received its full complement of staff. Although the Accounting Office appeared to have coped satisfactorily with the responsibilities devolving on it, it must, nevertheless, be criticised for failing to ensure that accounts submitted by the Regional Offices were checked prior to incorporation in the accounts of the General Secretariat. In addition, the Board was not very satisfied with the type of co-ordination existing between the Office of the Chief Finance Officer and those of Personnel and General Services, both of which offices also deal with financial matters. The position demands an improvement.

33. Internal Audit : The Internal Auditor continued to discharge his responsibilities with satisfaction during the year and issued reports as appropriate on the accounts both of the General Secretariat and the Regional Offices. The Board's only misgivings about the work of the Internal Auditor stem from the fact that he seems, in his audits, to concentrate only on expenditure transactions without devoting due attention to Revenue, Advances and Shortcomings in the accounting procedures. He also does not appear to pursue effectively recovery of overpayments which come to his notice during examination of the accounts of especially the General Secretariat. On the other hand, it is a pleasure to record the considerable improvement in the attention given by the General Secretariat to observations and comments of the Internal Auditor. The same cannot, however, be said of the Regional Offices some of which have continued to treat Internal Audit reports with indifference.

34. General : With the object of improving the effectiveness of both the General Accounting Office and the Internal Audit unit the Board would wish to recommend for reconsideration and eventual review the status of Heads of these accounting offices vis-à-vis that of officers holding comparable positions in the hierarchy of the General Secretariat.

35. Board of Auditors : It is necessary to stress again the necessity for members of the Board to arrive promptly in Addis-Ababa to attend meetings of the Board. During the current session of the Board the member from Central African Republic arrived three weeks behind schedule and the member from Cameroon did not put in an appearance at all. Needless to say, this situation seriously hampered the work of the Board.

36. From experience the Board has come to the conclusion that visits to the Regional Offices are necessary during each session of the Board and also that an average of eight working days will be required for the audit of each office by at least two members.

37. For the efficient discharge of its duties, the Board feels that budgetary provision should be made to cover expenses relating to the audit of the accounts of both the General Secretariat and the Regional Offices.

38. The Board took note of the request made by the General Secretariat regarding the preparation of rules of procedures for the guidance of future Boards, but regrets that in view of the confidential nature of audit practices, it would not, in principle, be advisable to do so.

39. Within its terms of reference, the Board hereby appoints the representative of Ethiopia as its spokesman to liaise with the Secretariat on any practical matter pertaining to the work of the Board.

40. In conclusion, the Board wishes to record the paramount importance of conducting its function in an atmosphere of absolute independence, within its terms of reference.

41. Acknowledgement : The Board wishes to acknowledge the co-operation and assistance of the Administrative Secretary General and his staff during the course of its audit.

Board of External Auditors

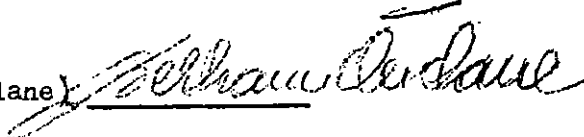
1. Algeria (Mr. Seydou Lahmer)



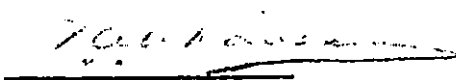
2. Central African Republic (Mr. Ibrahim Tinor)

TINOR

3. Ethiopia (Ato Berhanu Kidane)



4. Ghana (Mr. V.A. Nkansah)



BALANCE SHEET
AT 31st MAY 1968

(All figures in US. dollars)

<u>L I A B I L I T I E S</u>	<u>A S S E T S</u>
<p><u>Current Liabilities</u></p> <p>- <u>Account Payable</u></p> <p>Outstanding obligations US\$ 115,783.60</p> <p><u>Net Worth :</u></p> <p>Balance at 31st May 1968 US\$ 2,210,627.08</p> <p>Total Liabilities and Capital US\$ <u>2,326,410.68</u></p>	<p><u>Current Assets</u></p> <p>- <u>Cash at Bank</u></p> <p>a. Balance of General Fund Account .. US\$ 1,107,642.97</p> <p>b. Balance of Working Capital Fund .. US\$ 416,480.57</p> <p>- <u>Cash at Hand</u></p> <p>Balance of Petty Cash. US\$ 31.86</p> <p>- <u>Account Receivable</u></p> <p>Outstanding Contributions :</p> <p>a. 1st Regular Budget 65/67 ..US\$211,380.79</p> <p>b. 2nd " " 67/68 ..US\$440,236.11 651,616.90</p> <p>- <u>Advance Recoverable</u></p> <p>a. Advance to Staff Members.. US\$ 48,896.19</p> <p>b. Democr. Rep. of Congo US\$ 49,172.57</p> <p>c. The Gambia US\$ 4,541.02</p> <p>d. Com. of Med. Conc. & Arb. US\$ 30,000.00</p> <p>e. External Auditors..... US\$ <u>1,050.00</u> 133,659.78</p> <p>- <u>Store Inventory</u></p> <p>Stationery & Of. supplies... US\$ 15,340.75</p> <p>Unallocated stores US\$ <u>1,637.85</u> 16,978.60</p> <p>Total Current Assets US\$ <u>2,326,410.68</u></p>

N O T E

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1. The Working Capital Fund is inflated by US\$ 382,012.44 which represents expenditure which should have been debited to the Working Capital Fund according to the Council of Ministers' decision, but charged to the General Fund in order that the Working Capital Fund could continue yielding interest.

2. The following amounts are included in the balance of the General Fund Account :

- a. Contribution of Chad to the South West Africa Case . . . US\$ 13,238.59
 - b. Contribution of Mali to the South West Africa Case US\$ 13,378.18
 - c. Contribution of Zambia to the P.A.T.U. US\$ 2,400.00
- T O T A L US\$ 29,016.77

3. This Balance Sheet does not include Fixed Assets, the situation which on 31st May 1968, is as follows :

Item	Description	Original Value	Depreciation	Actual Value
1	Office Equipment & Furniture	US\$ 125,228.31	US\$ 16,078.50	US\$ 109,149.81
2.	Transportation equipment	US\$ 27,509.30	US\$ 10,096.22	US\$ 17,413.08
3.	Furnishing of Secretary-General's Residence	US\$ 8,630.70	US\$ 1,294.60	US\$ 7,336.10
	T O T A L	US\$ 161,358.31	US\$ 27,469.32	US\$ 133,898.99

W. W. Akobin

CHIEF FINANCE OFFICER.

STATEMENT OF CONTRIBUTIONS RECEIVED AND OUTSTANDING
TO THE 1967/68 BUDGET OF THE OAU AS OF 31ST MAY 1968
 (All figures in U.S.\$)

MEMBER COUNTRIES	OAU 1967 Scale of Assessment	Assessed Contribution 1967/68	Received Amount	Excess Payment	Total Payment	Outstanding Contribution
1. Algeria	4.54	85,875.73	85,875.73	-	85,875.73	-
2. Botswana	1.82	34,425.96	34,425.96	-	34,425.96	-
3. Burundi	1.82	34,425.96	34,425.96	118.04	34,544.00	-
4. Cameroun	1.82	34,425.96	34,401.71	-	34,401.71	24.25
5. Central African Republic	1.82	34,425.96	34,411.87	-	34,411.87	14.09
6. Chad	1.82	34,425.96	24,425.96	10,648.97	45,074.93	-
7. Congo (Brazzaville)	1.82	34,425.96	34,410.89	-	34,410.89	15.07
8. Congo (Kinshasa)	3.18	60,150.84	-	-	-	60,150.84
9. Dahomey	1.82	34,425.96	-	-	-	34,425.96
10. Ethiopia	2.27	42,937.86	42,937.86	0.14	42,938.00	-
11. Gabon	1.82	34,425.96	-	-	-	34,425.96
12. Gambia	1.82	34,425.96	2,347.12	-	2,347.12	31,078.84
13. Ghana	4.09	77,363.82	77,263.82	-	77,263.82	-
14. Guinea	1.82	34,425.96	-	-	-	34,425.96
15. Ivory Coast	1.82	34,425.96	34,425.96	243.88	34,669.84	-
16. Kenya	1.82	34,425.96	34,425.96	-	34,425.96	-
17. Lesotho	1.82	34,425.96	34,425.96	-	34,425.96	-
18. Liberia	1.82	34,425.96	34,425.92	-	34,425.92	0.04
19. Libya	1.82	34,425.96	34,425.96	1.00	34,426.96	-
20. Madagasoar	1.82	34,425.96	34,425.96	-	34,425.96	-
21. Malawi	1.82	34,425.96	19,200.00	-	19,200.00	15,225.96

STATEMENT OF CONTRIBUTIONS RECEIVED AND OUTSTANDING (continued)

MEMBER COUNTRIES	OAU 1967 Scale of Assessment	Assessed Contributions 1967/68	Received amount	Excess Payment	Total Payment	Outstanding contributions
22. Mali	1.82	04,425.96	04,419.72	-	04,419.72	6.24
23. Mauritania	1.82	04,425.96	04,423.92	-	04,423.92	2.04
24. Morocco	6.36	120,001.68	120,301.68	164.27	120,465.95	-
25. Niger	1.82	34,425.96	02,469.58	-	02,469.58	1,956.38
26. Nigeria	9.53	180,263.38	180,263.38	-	180,263.38	-
27. Rwanda	1.82	34,425.96	04,425.96	-	04,425.96	-
28. Senegal	2.27	42,937.86	-	-	-	42,937.86
29. Sierra Leone	1.82	34,425.96	34,425.96	-	04,425.96	-
30. Somalia	1.82	34,425.96	-	-	-	34,425.96
31. Sudan	2.18	60,150.84	60,150.84	-	60,150.84	-
32. Tanzania	1.82	34,425.96	04,425.96	-	04,425.96	-
33. Togo	1.82	04,425.96	04,425.96	76.12	04,002.08	17,423.88
34. Tunisia	2.27	42,937.86	25,932.41	-	25,932.41	17,005.45
35. Uganda	1.82	04,425.96	04,425.96	-	04,425.96	-
36. United Arab Republic	11.35	214,689.25	115,000.00	-	115,000.00	99,689.25
37. Upper Volta	1.82	34,425.96	-	-	-	04,425.96
38. Zambia	1.82	04,425.96	04,425.96	-	04,425.96	-
	100.00%	1,891,536.00	1,411,299.89	11,252.42	1,462,552.31	440,236.11

STATEMENT OF ACTUAL EXPENDITURE AND OUTSTANDING OBLIGATIONS
FOR THE FINANCIAL YEAR 1967/68 AS OF 31st MAY 1968

Account Code	Titles	Allotments US \$	Outstanding Obligations US.\$	Accumulated Total US.\$	Unencumbered Balance
	<u>SECTION I - SALARIES AND WAGES</u>				
100	Established Posts	619,333.00	-	432,916.15	186,416.85
101	Consultants and Expert Groups	-	-	-	-
102	Temporary Assistance	-	-	27,497.09	(27,497.09)
103	Overtime and Night Differential	-	-	-	-
	TOTAL SECTION I	619,333.00	-	460,413.24	158,919.76
	<u>SECTION II - COMMON STAFF COSTS</u>				
200	Travel on Initial recruitment	40,000.00	1,328.26	10,593.88	28,077.86
201	Travel on home leave and separation	20,000.00	902.80	23,325.65	(4,228.45)
202	Travel on Transfer	-	-	-	-
203	Installation allowance	25,000.00	-	7,780.50	17,219.50
204	Dependency allowance	25,000.00	-	16,742.50	8,257.50
205	Housing allowance	27,000.00	-	44,076.76	(17,076.76)
206	OAU Pension Fund	-	-	-	-
207	OAU Insurance scheme	-	-	-	-
208	OAU Medical scheme	15,000.00	-	5,665.84	8,334.16
209	Gratuity on completion of service	5,000.00	6,022.01	52,646.77	(53,668.78)
210	Rent of official residence (Secretary-General)	9,600.00	-	9,600.00	-
211	Accommodation allowance (4 Assist.Sec.Gen)	14,400.00	-	14,400.00	-
	TOTAL SECTION II	181,000.00	8,253.07	185,831.90	(13,084.97)

Account Code	Titles	Allotments US.\$	Outstanding Obligations - US\$	Accumulated Total US\$	Unencumbered Balance US\$
	<u>SECTION III - TRAVEL OF STAFF ON OFFICIAL DUTY</u>				
300	Administration Department	15,000.00	-	9,573.20)	
301	Political Department	-	-	5,828.20)	
302	Economic and Social Department	-	-	9,942.63)	(22,946.73)
303	Scientific and Cultural Department	-	-	4,393.40)	
304	Cabinet	-	-	8,209.30)	
305	Official Mission by Secretary-General	-	-	-	
306	Internal Auditor	-	-	-	
	TOTAL SECTION III	15,000.00	-	37,946.73	(22,946.73)
	<u>SECTION IV - RENTAL AND MAINTENANCE OF EQUIPMENT AND PREMISES</u>				
400	Rental of premises	-	-	-	-
401	Maintenance of vehicles	15,000.00	381.81	9,638.92)	2,749.44
402	Maintenance of equipment	-	-	2,229.83)	
403	Maintenance of premises	20,000.00	126.00	9,036.64	10,837.36
404	Utilities (Electricity & Water)	15,000.00	484.20	4,344.76	10,171.04
405	Alteration of premises	-	-	-	-
406	Insurance of vehicles, equipments, etc.	5,000.00	-	2,170.20	2,829.80
	TOTAL SECTION IV	55,000.00	992.01	27,420.35	26,587.64

Account Code	Titles :	Allotments US.\$	Outstanding Obligations US\$	Accumulated Total US.\$	Unencumbered Balance
	<u>SECTION V -- COMMUNICATIONS</u>				
500	Cables	100,000.00	3,122.64	23,782.01)	45,515.38
501	Telephone Service	-	691.10	9,326.99)	
502	Postage	-	-	17,207.20)	
503	Pouches	-	-	2.52)	
504	Freight	-	-	352.16)	
	TOTAL SECTION V	100,000.00	3,813.74	50,670.88	45,515.38
	<u>SECTION VI -- MISCELLANEOUS SUPPLIES & SERVICES</u>				
600	Stationery & Office supplies	25,000.00	838.40	23,074.11	1,087.49
601	Bank charges and revenue stamps	-	-	5,643.40	(5,643.40)
602	External audit costs	-	-	8,105.46	(8,105.46)
603	Hospitality	5,000.00	2,024.20	1,648.56	1,327.24
604	Staff welfare	-	-	-	-
605	Library books and periodical supplies & services	-	-	-	-
606	Subscription to newspapers & periodicals	-	-	3,289.84	(3,289.84)
607	Other supplies and services	-	-	8,439.16	(8,439.16)
	TOTAL SECTION VI	30,000.00	2,862.60	50,200.53	(23,063.13)

Account Code	Titles	Allotments US\$	Outstanding Obligations US\$	Accumulated Total US\$	Unencumbered Balance
	<u>SECTION VII - CAPITAL EXPENDITURE</u>				
700	Land and building	-	-	-	-
701	Improvement to premises	-	-	-	-
702	Furniture & fixtures	-	1,556.00	4,979.32	(6,535.32)
703	Office equipment	-	-	2,766.76	(2,766.76)
704	Internal reproduction equipment	-	-	-	-
705	Telecommunication equipment	-	-	-	-
706	Press & Information equipment	-	-	2,441.22	(2,441.22)
707	Transportation equipment	-	-	-	-
708	Interpretation equipment	-	-	-	-
709	Other equipment	-	-	-	-
	<u>TOTAL SECTION VII</u>	-	1,556.00	10,187.30	(11,743.30)
	<u>SECTION VIII - CONFERENCES AND MEETINGS</u>				
800	Assembly of Head of State and Government	37,080.00	-	123,240.42	(86,160.42)
801	Council of Ministers	33,764.00	215.00	61,158.24	(27,609.24)
802	Economic and Social Commission	22,010.00	-	75.00	21,935.00
803	Education scientific cultural and health Commission	22,010.00	-	75.00	21,935.00
804	Defence Commission	14,180.00	-	50.00	14,130.00
805	Commission on Refugees	-	-	-	-
806	Algeria Morocco Ad Hoc Commission	20,000.00	-	193.60	19,806.40
807	Meeting of the Joint Commission on the HQ. Bd	-	-	-	-
808	Advisory Committee for Budgetary & Finan.Mat.	-	-	-	-
	<u>TOTAL SECTION VIII</u>	149,044.00	215.00	184,792.26	(35,963.26)

Account Code	Titles	Allotments US\$	Outstanding Obligations US\$	Accumulated Total US\$	Unencumbered Balance
	<u>SECTION IX - REGIONAL OFFICES</u>				
900	Scientific Technical & Research Commission	544,267.00	2,967.38	356,874.52	184,425.10
901	Secretariat of the African Group at the UN	60,175.00	-	56,510.10	3,664.90
902	Co-ordinating Committee for the liberation of Africa	137,717.00	4,000.00	119,570.77	14,146.23
	TOTAL SECTION IX	742,159.00	6,067.38	532,955.39	202,236.23
	<u>SECTION X - IMPLEMENTATION OF DECISIONS AND RESOLUTIONS</u>				
1000	Economic and Social Department)CM/181	-	45,240.00	-	-
1001	Scientific & Cultural Department)CM/181 Add.1	-	36,178.70	-	-
1002	Political Department)CM/182 Add.2	-	9,705.10	-	-
1003	Administration Department)	-	-	-	-
1004	Cabinet)	-	-	-	-
	TOTAL SECTION X	-	91,123.80	-	-
	GRAND TOTAL	1,891,536.00	115,783.60	1,540,418.58	235,333.82
	High Council of Sports for Africa	-	-	56,000.00	(56,000.00)
	GRAND TOTAL	1,891,536.00	115,783.60	1,596,418.58	179,333.82

STATEMENT OF VOTES WITH EXCESS EXPENDITURESFOR THE FINANCIAL YEAR 1967/68

ACCOUNT CODE	T I T L E S	Allotments US.\$	Outstanding Obligations US.\$	Accumulated Total US.\$	Unencumbered Balance
102	<u>SECTION I - SALARIES AND WAGES</u> Temporary Assistance	-	-	27,497.09	(27,497.09)
201	<u>SECTION II - COMMON STAFF COSTS</u> Travel on Home leave & Separation	20,000.00	902.80	23,325.65	(4,228.45)
205	Housing Allowance	27,000.00	-	44,076.76	(17,076.76)
209	Gratuity on completion of service	5,000.00	6,022.01	52,646.77	(53,668.78)
300	<u>SECTION IV - TRAVEL OF STAFF ON OFFICIAL DUTY</u> Administration Department	15,000.00	-	9,573.20)
301	Political Department	-	-	5,828.20)
302	Economic and Social Department	-	-	9,942.63) (22,946.73)
303	Scientific and Cultural Department	-	-	4,393.40)
304	Cabinet	-	-	8,209.30)
305	Official Mission by Secretary General	-	-	-)
306	Internal Auditor	-	-	-)
601	<u>SECTION VI - MISCELLANEOUS SUPPLIES AND SERVICES</u> Bank charges and Revenue Stamps	-	-	5,643.40	(5,643.40)

ACCOUNT CODE	T I T L E S	Allotments US.\$	Outstanding Obligations US.\$	Accumulated Total US.\$	Unencumbered Balance
	<u>SECTION VI (continued)</u>				
602	External Audit Costs	-	-	8,105.46	(8,105.46)
606	Subscription to Newspapers and periodicals	-	-	3,289.84	(3,289.84)
607	Other Supplies and Services	-	-	8,439.16	(8,439.16)
	<u>SECTION VII - CAPITAL EXPENDITURE</u>				
702	Furniture & Fixtures	-	1,556.00	4,979.32	(6,535.32)
703	Office Equipment	-	-	2,766.76	(2,766.76)
706	Press and Information Equipment	-	-	2,441.22	(2,441.22)
	<u>SECTION VIII - CONFERENCE AND MEETINGS</u>				
800	Assembly of Heads of State and Government	37,080.00	-	123,240.42	(86,160.42)
801	Council of Ministers	33,764.00	215.00	61,158.24	(27,609.24)
	High Council of Sports for Africa	-	-	-	(56,000.00)

ADMINISTRATION DEPARTMENTTravel on official Mission

N A M E	M I S S I O N	COST OF TICKET	PER DIEM	Excess Bag. & Miscellaneous	TOTAL	PAYMENT VOUCHER
1. Mr. KHOGALI	To audit the books and regional and sub-regional offices, including New York.	2,414.90	1,450.00	180.00	4,044.90	63/6
2. Mr. W. AKOLI	Lagos and Dar-Es-Salaam, to introduce the accounting system	735.60	339.00	-	1,074.60	19/7-79/4
3. Mr. G. DIMETROS	Balance of per diem		16.16		16.16	5/7
4. Mr. S.U. YOLAH	To organize the Council of Minister Meeting in Lusaka	957.90			957.90	DV.14/1
5. Mr MEGALI	Nigerian Consultative Committee	514.80	100.00		614.80	35/1
6. M.E. DIALLO TELLI	To attend General Assembly Session and harmonize the work of African States	1,704.40	-1,160.00		2,864.40	12/8-6/8
					9,573.20	
			TOTAL US.\$			

C A B I N E TTRAVEL ON OFFICIAL MISSION

N A M E	MISSION	COST OF TICKET	PER DIEM	EXCESS BAG.& MISCELLANEOUS	TOTAL	PAYMENT VOUCHER
1. Ato HAILU W.G.	Ad-Hoc Committee on Mercenaries	-	650.00	-	650.00	17/1
2. H.E. Mr.DIALLO TELLI	Various official missions	963.20	-	-	963.20	27/1
3. H.E. Mr.DIALLO TELLI	Various official missions	1,040.90	3,080.00	-	4,120.90	28/1-25/3
4. H.E. Mr.DIALLO TELLI	Official mission Dar-es-Salaam	382.10	-	-	382.10	75/5
5. Miss A. BOGHOSSIAN	Ad-Hoc Committee on Mercenaries	-	150.00	-	150.00	32/3
6. Mr. M. THEA	"	-	475.00	-	475.00	33/3
7. Mr.J.G. KAMANDA	"	957.90	510.20	-	1,468.10	44/5-32/5
			TOTAL		8,209.30	

CULTURAL AND SCIENTIFIC DEPARTMENTTravel on official mission

NMAE	MISSION	COST OF AIR TICKET	PER DIEM	TOTAL	PAYMENT VOUCHER
1. Mr. J.D. Buliro	World Youth Conference in Lusaka		161.50	161.50	53/7
2. " " "	Head of African Universities Conference in Rabat	995.20	120.00	1,115.20	69/3 - 27/1
3. " " "	UNESCO & OAU Conference on Education, Scientific & Training in Paris	963.20	300.00	1,263.20	69/3 - 100/4
4. Mr. K.M. Katondo	UNESCO Conference	115.60	150.00	265.60	15/4 - 30/4
5. Prof. S.T. Quansah	Visit to STRC and sub regional offices	878.80	709.10	1,587.90	100/4 - 71/4
Total U.S. \$				4,393.40	

ECONOMIC AND SOCIAL DEPARTMENTTravel on official Mission

NAME	MISSION	COST OF TICKET	PER DIEM	TOTAL	PAYMENT VOUCHER
1. Mr. G. Pognon	ILO Conference, Geneva	957.60	540.00	1,497.60	63/6 - 59/7
2. " " "	Kinshasa preparatory Head of States Conference	-	390.00	390.00	28/6
3. " " "	UNIDO ECOSOC, Roma	840.80	990.00	1,830.80	27/1-35/4-150/2
4. " " "	UNCTAD II, New Delhi	811.70	990.00	1,801.70	67/12 -21/3
5 Dr. Dawood A.	African Group Meeting of 86 Developing Countries, Algiers	628.00	686.83	1,314.83	28/1 - 9/11
6. " " "	UNCTAD, New Delhi	636.70	1,625.00	2,261.70	53/4 - 88/5
7. " " "	ECOSOC & Kinshasa Heads of State Conference	876.00	-	876.00	107/8
				9,972.63	
	Refund made by Mr. G. Pognon			30.00	R. 134
Total U.S. \$				9,942.63	



Annex V

POLITICAL DEPARTMENT

Travel on official mission

NAME	MISSION	COST OF AIR TICKET	PER DIEM	EXCESS BAG. & MISC.	TOTAL	PAYMENT VOUCHER
1. Mr. M. Sahnoun	New York, Geneva, to co-ordinate Refugees Conference	1,578.00	930	-	2,508.00	6/8 - 99/8
2. " "	New York, General Assembly Session	1,577.20	-	-	1,577.20	39/10
3. Mr. Olufolabi	Liberation Committee Conference in Kampala	258.40	200	-	458.40	10/11-25/8
4. Ato Samuel	Teheran Refugees Conference	447.20	750	87.40	1,284.60	100/4-99/5
Total U.S. \$					5,828.40	

COMMENTS BY THE BOARD OF AUDITORS ON THE ACCOUNTS
OF THE COORDINATING COMMITTEE FOR THE LIBERATION OF AFRICA

The Board examined the accounts of the Liberation Committee in Dar-es-Salaam, and reviewed the findings as well as the observations made by the Internal auditor in his report with the Executive Secretary and his Assistant in charge of Finance.

The following are the Standing Committees which have direct or indirect say in the administration of the funds of the Liberation Committee :

- a) Liberation Committee or otherwise known as Committee of Eleven. It is the senior body of this organ of OAU which comprises eleven members who meet twice a year.
- b) Standing Committee on Finance. - The Committee authorizes expenditure on the recommendation of the Standing Committee on Defence after giving due consideration to budgetary appropriations and availability of Funds.
- c) Standing Committee on Defence - The Committee discusses the needs of the Liberation Committee, the various liberation movements and training centers and reports their requirements to the Standing Committee on Finance.
- d) Standing Committee on Administration and General Policy - This deals with general policy and administrative matters.

Scope of audit - As pointed out in the main report, the Board was obliged to restrict its audit to questions of procedure on the overall activity of the finance department and to test checking of the revenue and expenditure transactions.

The recommendation of the Board for future audits is contained in paragraph 36 of the main report.

R E V E N U E

3. The Liberation Committee derives its income from the following three sources :

- (i) Subvention from OAU head
- (ii) Contributions by member states
- (iii) Other donations, etc..

The subvention is received from OAU head quarters quarterly on the basis of budgetary allocations. The contribution by Member States of £172,501/5/11 received during the year represents 19 % of the total assessment. The position of the contribution account may be summarised as follows :

<u>DESCRIPTION</u>	<u>ASSESSMENT</u>	<u>RECEIVED</u>	<u>AMOUNT NOT RECEIVED</u>	<u>EXCESS PAYMENT</u>
All Member States	£ 880,000/-/-	£172,501/5/11	£711,410/3/11	(£3,736/11/-)
In percentage	100%	19.6%	80.8%	(0.4%)

Only four member states paid the assessment in full, three of which have in fact made excess payments. Nine member states have made partial payments whereas twenty four member states have not made any payment.

We are also presenting hereunder a summary of the arrears of the past 3 years which also indicate large portions of unpaid contribution.

<u>Description</u>	<u>Assessment</u>	<u>Arrears</u>	<u>Arrears in %</u>
1964/65	£727,500	£306,299	42.1%
1965/66	848,000	577,538	68.1%
1966/67	864,000	560,620	64.9%

4. From the foregoing it is obvious, that the greater portion of the contributions have not been received by the Liberation Committee. We discovered that there is no follow-up action by the secretariat in Dar-es-Salaam on the arrears. They explained that member states are reminded verbally at the various conferences of the organization. We feel that follow-up by the Executive Secretary at the end of each quarter could help the collection of arrears.

EXPENDITURE : SECRETARIAT

5. Budget - The detailed Estimates of the Secretariat, which formed part of the Budget of the General Secretariat, was approved by the Council of Ministers at the Eighth Ordinary Session in February/March, 1967, in the sum of US.\$137,707.00.

In the absence of a specific resolution regarding expenditure from the Special Fund, the Board assumed that the Council of Ministers' decision to renew the 1966/67 budget for the year 1967/68 applied to the Special Fund as well.

6. Advance - Mr. MAGOMBE - DV 472 of 25/11/67 : Contrary to existing regulations, an advance of Sh. 7285/70 (one month's salary) was granted by the Acting Administrative Secretary General to Mr. Magombe at a time when the final instalment on another advance granted four month's previously had not been fully repaid. The grant of the advance is objectionable, firstly, because Mr. Magombe had already enjoyed this concession allowed once a year and, secondly, the first advance had not been fully liquidated.

7. The payment of £ 1,875 made on DV.79/8/67 to Mr. Magombe for G.R.A.E. appeared suspicious to the Board. The receipt supporting the payment did not appear to have been signed by Mr. Holden Roberto as should have been the case, and the covering letter forwarding the receipt, though prepared in the name of Mr. Roberto was signed by somebody else.

8. Entertainment - The Internal Auditor expressed doubt in his report following an inspection of the accounts of the Secretariat as to whether the vote provided in the Budget was intended for hospitality to visitors or for the purpose of a reception on Africa Liberation Day. This is a matter for resolution by the appropriate Authority but the Board, during its examination of the accounts, noted items of expenditure on entertainment which suggested extravagance. Prominent amongst these was the sum of Shs. 2,534.83 spent on a reception in honour of the U.N. Committee of 24. This amount represented more than 50% of the overall provision for the Financial year 1967/68.

9. Hire of tape recorder - Further evidence of uneconomical expenditure came to notice in connection with the hire of a tape-recorder for a period of one month at a cost of Shs.750 which was approximately 25% of the cost of a new recorder.

10. Official travel. As in the case of the General Secretariat, the expenditure incurred on official travel abroad was heavy, and for the year under review amounted to US.\$ 25,902.22 with an excess expenditure of US.\$6,302.22. It was further observed that most of the journeys were undertaken by the Executive Secretary who, on some occasions, travelled first class, contrary

to regulations, and, on other occasions, chartered air-craft at considerable cost to the Secretariat. Details of the aforementioned matters are available in the Internal Auditor's report. The Board found it difficult also to appreciate why for conferences, such as the 12th session of the Committee of Eleven held at Conakry in January, 1968, the Secretariat deemed it necessary to send large delegations, a delegation of 9 having attended the meeting in Conakry. This is certainly an area of expenditure which demands careful re-appraisal.

PAYMENTS TO LIBERATION MOVEMENTS - The Board noted from examination of payments made to Liberation Movements that for the period covered by this report such payments were acknowledged by the signature of a representative of the Movement on the payment voucher concerned. It was further observed that it was the rule rather than the exception to issue open cheque to the Movements receiving financial assistance. The Secretariat's Accounting Officers explained that, of late, Movements have been requested to acknowledge receipt of payments made to them and some of them are doing so by sending letters of acknowledgement. The Board considers that additional safeguards lie in crossing all cheques made payable to Movements, since they all maintain banking accounts, and also in requesting the Movements, to acknowledge receipt of payments made to them by means of official receipts, which if need be, should be supplied to all Movements by the Secretariat. Furthermore, the Secretariat could demand from the various Movements the authorized signatories who are delegated to receive cheques or cash on their behalf.

11. The Council of Ministers had requested at the conference held in February 1968 that Liberation Movements present accounts for the amounts granted to them by the Liberation Committee and that the Secretariat should prepare statements of such expenditure for the Board of Auditors. The Board observed that this had not been done. The Secretariat explained that the accounts of the Liberation movements located in Dar-es-Salaam had been checked and presented a statement prepared by a South West African Organization which was not complete any way. There was no proof on the statement that it had been checked and from the information available on the statement the Board could not see its way clear to determining whether it was correct or otherwise. When we asked to see the supporting vouchers thereof, we were informed that they were in the office of the liberation movement in question. Due to lack of time, a visit to that office was not feasible. Furthermore, the Secretariat could not produce statements submitted by the other liberation movements,

and we found no evidence of any attempt by the Secretariat to obtain the accounts either. A further explanation was entered that since these movements receive much more money from other sources, it would be difficult for them to send separate statement for the amounts paid to them from OAU sources. While appreciating the prevailing problems, the Board feels that the request of the Council could be carried out, even though, it may be difficult to produce supporting vouchers on accounts of Freedom Fighters. At any rate, the Secretariat should be able to prepare statements of the money paid to the various movements and relate these to the accounts presented by them and come up with reports on the state of affairs, of every movement. In all the circumstances, we could not avoid the conclusion that there was no control whatsoever on the amount paid to the various Liberation Movements.

12. Training centres - The Secretariat informed the Board that :

- i) Governments of countries, in which training centres are situated contribute large portions of the funds utilised by these centres ;
- ii) The accounts of the training centres are audited by the National Auditors of the countries concerned.

13. In these circumstances the Board suggests that a certificate should be issued to the Liberation Committee yearly by each State Audit Body to the effect that the contribution made by the Committee towards the Centres has been properly utilised for the purposes which the money was paid.

Fixed assets - We had sight of a fixed assets register which the secretariat keeps, but were unable to make a physical check of the properties of the Secretariat, as the items were not placed according to the register when the Secretariat moved to a new location recently. Furthermore, lack of time did not permit us to conduct a thorough investigation on the items.

14. Vehicles - The Secretariat owns four cars used for various services. The Secretariat also maintains a motor vehicles control sheet which, if properly kept could be used to advantage with some improvements. Unfortunately, this record was not effectively controlled. It is recommended that gasoline consumption and maintenance expenses should be recorded on this sheet which should regularly be checked by the Assistant Executive Secretary (Finance) and his staff. A monthly report on gasoline consumption, maintenance and other expenses in respect of each car should be prepared for the information of the Executive Secretary.

15. State of accounts - The normal books of accounts were kept but audit was considerably impeded by the fact that Disbursement vouchers were not filed serially by month but in accordance with the programme in the budget, a file being maintained for each activity or function in the Budget. Since July 1968, however, the Secretariat has commenced to file its vouchers serially for each month.

16. Internal audit - The Internal Auditor has audited the accounts of the Secretariat for the year 1967/68 and has issued two reports thereon. The reports were discussed with the Executive Secretary General and his Assistant. As the questions are on items which the Administrative Secretary-General should follow-up and settle, we will not attempt to go into detailed report thereon at this time. We, however, wish to report on some points which we feel will be of interest to the Council.

1) The Administrative Secretary General had advised the Executive Secretary to redeem amounts from some of employees in the Secretariat for erroneous or overpayments made to them. The Executive Secretary took it upon himself to ensure that those amounts were repaid but in as many as 43 instalments. The reason he gave was that he did not wish to inconvenience the employees. Included in this group is the Executive Secretary himself who was to repay US.\$3,765.46. He has paid US.\$1,518.26 since December 1967. The balance of US.\$2,247.20 is to be paid in 43 instalments, but he promised to liquidate the whole balance at the end of 1969.

2) In respect of the payment of £3,340 to G.R.A.E. the Board was shown a photocopy of an unsigned letter as a proof of acknowledgement of the amount paid by cheque to G.R.A.E. This copy cannot be considered as a receipt and therefore, the Secretariat should be made to obtain a proper receipt.

3) With regard to the payment in the amount of £4,000/-/- for the building of a depot for storage of materials which was not approved by the Finance Committee, the Secretariat explained that in view of the fact that the transaction was approved by the Committee of Eleven which is a senior body, subsequent approval by the Finance Committee was not necessary. We feel that in as much as the Standing Committee on Finance is the body entrusted with the day to day administration of finance the transaction should have passed through them, not so much for the question of approval which had

already been given, but for other administrative considerations such as ensuring the timeliness of the payment, availability of funds and the proper recording of the transaction.

4) The question of additional payment of \$16,925/11/2 to El-Nasr Import and Export Company of the United Arab Republic to cover their loss due to devaluation of the Sterling has been examined by the legal department of OAU which has declared that the extra amount should not have been paid. The Executive Secretary has, however, attempted to justify the payment on certain intricate legal grounds. The Board feels that since the matter has become a legal issue, and having regard to the large amount involved, the matter should be pursued legally for possible redemption of the amount in question.

We wish to emphasize that the legal department of OAU was positive on the point that the company was not entitled to compensation for any loss arising from the devaluation of Sterling.

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BOARD'S COMMENTS ON THE ACCOUNTS OF THE SCIENTIFIC,
TECHNICAL AND RESEARCH COMMISSION

The accounts of the Scientific, Technical and Research Commission were examined in test by the Board in Lagos from the 15th to 17th December, 1968. The Board also took the opportunity to discuss exhaustively with the Executive Secretary the report prepared by the Internal auditor on the accounts of the Commission for the financial year 1967/68. The succeeding paragraphs contain the comments of the Board on the accounts audited.

2. System of Accounting : Prior to 1st January, 1968 the accounts of the Commission were kept under a system inherited from the former Commission for Technical Co-operation in Africa. Although the accounting system appeared to have served the purposes of the Commission, it was nevertheless found to be fraught with confusion and rendered the audit of the accounts difficult and laborious. The Board was given to understand that the system had been changed following the visit of the Chief Finance Officer of the General Secretariat to Lagos. This information was verified but the indications were that some time will elapse before the new system is fully assimilated. In the meantime, the following recommendations are offered :

- (i) Receipt and Disbursement vouchers, currently numbered in the same series, should be numbered separately month by month.
- (ii) All vouchers should be numbered showing the number of the vouchers followed by the month and the year.
- (iii) Signatories to cheques issued by the Commission should be two persons and not one as at present.
- (iv) To avoid confusion in the accounts, separate vouchers should be prepared in support of bank charges levied by the banks.
- (v) Printed and pre-numbered receipt forms should be introduced to replace the loose forms now in use.

3. On the whole the accounts examined by the Board were neatly kept.

REVENUE

4. For the period under review, subventions received from the General Secretariat for the purpose of financing the activities of the Commission amounted to U.S. \$ 336,558.59. Additionally, miscellaneous revenue derived from other sources totalled US \$ 30,660.39. Included in this type of revenue were the sums of U.S. \$ 22,706.73 (including interest) and U.S. \$ 4,250 derived from the Commission's Housing Scheme and Sale of Publications respectively. With regard to the proceeds from the Housing Scheme, the Executive Secretary explained that the money so received is paid into a special banking account and utilized to meet loan repayments in respect of houses under the scheme. The Board noted, however, that the intake of rent revenue was substantially less than the outlay on loan repayments. For example, rent revenue for the period 1st June, 1967 to 31st May, 1968 amounted to U.S. \$ 16,946.09 whilst expenditure on repayment of loan was U.S. \$ 48,610.61, thus necessitating a drawing on the reserves accumulated under the scheme. In these circumstances, the Board is of the opinion that a neater accounting arrangement would be achieved by provision being made in the budget for loan repayments while income derived from the houses is entered as general revenue and remitted to the General Secretariat in Addis-Ababa.

EXPENDITURE

5. The Budget of the Scientific, Technical and Research Commission in Lagos and of the sub-regional offices constitutes a part of the Budget of the General Secretariat of the Organization of African Unity which was considered and approved by the Council of Ministers at its Eighth Session in Addis-Ababa. The overall provision for this Regional Office amounted to U.S. \$ 584,267.00. A comparison between budgetary provisions and actual expenditures disclosed that a total excess expenditure of U.S. \$ 95,977.67 was incurred over forty-two items in the Estimates of the Lagos and Sub-Regional Offices, Lagos alone accounting for U.S. \$ 57,171.77 of the over expenditure. Whilst taking note of the substantial savings declared

by the Commission (which apparently resulted from over-estimating and the limitation imposed on the budget by the Council of Ministers), the Board is not satisfied that adequate controls exist for ensuring that expenditure is kept within the votes provided in the budget. Apart from the excess expenditure, further evidence of weakness in the control of expenditure is provided by the manner in which payments were authorized.

6. Authorization of Expenditure : The Board was perturbed to find that the Secretariat had established no rules governing authorization of expenditure. In consequence, it was observed from scrutiny of payment vouchers that such vouchers were on certain occasions authorized by the Executive Secretary, the Assistant Executive Secretary or not authorized at all. In those instances where vouchers bore no evidence of authorization, as in the case of Disbursement Vouchers N°s 3 to 23 of March 68, the Board found it difficult to accept the payments concerned as legitimate expenditure. A pointer to the danger inherent in the practice of not subjecting payments to proper authorization was provided by the payment of an amount of £ 200 (U.S. \$ 480.00) on DV.18/12/67 for typing services which the Board considered excessive and of which the Executive Secretary became aware only when attention was drawn to it during the audit.

7. Another disquieting feature of the disbursement procedures was the absence of the internal check achieved through having two signatories to cheques issued. The Secretariat's cheques were signed only by one person, thus eliminating the essential safeguard designed to ensure proper control over the use of cheques.

8. The weakness in the disbursement procedures were discussed with the Executive Secretary who appreciated the need for immediate remedial measures. In fairness, however, to the Executive Secretary it must be pointed out that he appears to have been hamstrung in his financial administration by lack of adequate auxiliary staff.

9. Overpayments : During the year under review the accounts of this Secretariat were characterized on the one hand, by overpayments of approved allowances and, on the other, by payment of salaries over and above the scales fixed by the General Secretariat. Details of these excess payments, which were verified by the Board of Auditors,

are provided in the Internal Auditor's report on the accounts of the Secretariat. In connection with the overpayment of allowances the Executive Secretary explained with a measure of credence, that the rates approved by the General Secretariat were not readily notified to his Office. Nevertheless, some of the overpayments have been refunded and the Board saw evidence that recovery of the others is being pursued. With regard to Installation Allowance the Board shares the view expressed by the Executive Secretary that there is a case for relating the rate of allowance to the cost of living index of each locality in which an office of the Organization of African Unity is situated.

9. The overpayment of salaries poses a problem regarding recovery since two officers involved have left the service of the Secretariat. The Executive Secretary explained, in this connection, that the higher rates of salary were paid to the personnel concerned by sheer force of circumstances because the officers refused to serve the Secretariat except on the generous terms agreed by the Executive Secretary. However, the Executive Secretary cannot escape blame for exceeding his powers and varying the terms of appointment without the written sanction of the Administrative Secretary General.

10. Purchase of Duty Free Items : The Board observed that, without the prior approval of the General Secretariat, this Secretariat had opened an advance account for bulk purchase of duty free items which were sold to members of staff. The "modus operandi" of the advance account is to utilize funds of the Secretariat for bulk purchase of the items, debit the expenditure to the advance account and credit the account as sales were made to officers, sometimes on credit basis. Payments charged to the account during the 12 months ended 31st May, 1968 amounted to U.S. \$ 2,398.70 and sales made to the Executive Secretary alone totalled U.S. \$ 546.59. The attention of the Executive Secretary was drawn to the irregularity of tying up the funds of the Organization in an illegal advance account and also to the risk involved in the credit sale of the items. In fact, a case came to notice in which an officer who owed U.S. \$ 76 under the account separated from the Secretariat leaving the balance unpaid. It is recommended that this amount should be recovered from the serving officers in proportions according to their degree of participation in the scheme. It is further suggested that the Scheme should be wound up, but if the staff desire its continuation, then they should contribute personally to a Revolving Fund for the purpose.

11. Storage of Publications : It came to notice that on Disbursement Voucher N° 36 of May, 1968 an amount of £ 1,529.13.4 (U.S. \$ 3,671.20) was paid to the Nigerian Ports Authority in respect of rental of accommodation for storage of publications and equipment transferred from the London Office of the S.T.R.C. The period of storage was from 14th July, 1967 to 30th April, 1968 during which time the Board had reason to believe that some of the houses controlled by the S.T.R.C. were vacant and could have been utilized for the purpose. The items are now being stored in one of the vacant houses, but this case is cited as an example of wasteful expenditure which could have been avoided if a little foresight had been exercised by the Lagos Office.

12. Payments in respect of Insurance of Staff : The Secretariat was criticised in the Internal Auditor's Report for continuing to pay from funds of the OAU premiums in respect of staff personal accident Insurance Scheme which the S.T.R.C. inherited from the C.C.T.A. Whilst appreciating the grounds on which the Internal Auditor based his criticism of the expenditure thus incurred, the Board is not completely in agreement with the request for refund by members of the amounts of premium paid on their behalf. The Board's reasons for arriving at this conclusion are :

- a) Specific provision was made in the approved budget of 1966/67 and repeated in the Budget of 1967/68 for payment of the premiums from funds of the Secretariat;
- b) A similar Insurance Scheme was approved for the General Secretariat of the OAU with effect from September, 1967; and
- c) The S.T.R.C. received no instructions from the General Secretariat to abrogate the Agreement under which the former's Scheme was established.

13. Housing of S.T.R.C. Staff in Lagos : Reference has already been made in paragraph 4 above to the manner in which the Board considers the revenue and expenditure under the S.T.R.C. Housing Scheme should be treated in the accounts. In addition, the Board has examined the terms under which the S.T.R.C. houses are occupied by staff and has formed the opinion that, in view of the extensive nature of the

outlay of these houses by way of a loan repayments, repairs and purchase of furniture, it would seem over-generous to permit staff to occupy them at subsidised rentals. At the moment, two categories of staff are in occupation of the S.T.R.C. houses : those who are entitled to housing allowance under the OAU Staff Rules and Regulations and those who are not. In the matter of payment of rent, officers entitled to housing allowance utilize this allowance to offset rent due by them and therefore pay nothing extra from their own pockets. Officers who are not entitled to Housing Allowance pay rent in accordance with the rules applicable to senior officials of the Nigerian Civil Service who occupy Government Quarters, that is, rent is charged at 8,5 % of salary. The Board considers the aforementioned rentals as rather inequitable, having regard to the type of accommodation and the facilities provided therein. It is suggested that rents on the houses should be assessed at economic rates and officers called upon to pay in accordance with the new assessments. It is understood that a similar decision was taken by the General Secretariat following comments made by the Internal Auditor on the accounts of the S.T.R.C. last year.

14. Commission on Rent Collection : The Board observed that by virtue of an agreement executed with Fox and Company, the Secretariat has been paying commission at the rate of 7% in respect of rent collection services provided by the Company. It is considered that this type of expenditure is avoidable and accordingly it is recommended that the Secretariat should request its tenants to pay their rentals by cheque direct to the Secretariat. In the event that this proposal is adopted, the Secretariat can protect its interests by executing appropriate tenancy agreements with its tenants.

15. Submission of Financial Returns to the General Secretariat : This Secretariat has been particularly notorious for delays in the submission of financial returns to Addis-Ababa. The Board noted that returns were despatched to Addis-Ababa, on occasions, five months in arrears. This is clearly a situation which should be remedied immediately.

THE BOARD OF AUDITORS' COMMENTS ON THE OAU PERMANENT SECRETARIAT OF
THE AFRICAN GROUP AT THE UNITED NATIONS IN NEW YORK
THE AFRICAN GROUP AT THE UNITED NATIONS IN NEW YORK

It was not possible, this year, to visit the Regional Office in New York. Nonetheless the Board was able to find the accounting documents at the Headquarters. Moreover the Internal Auditor's report for the period 1st June 1967 to 31st May 1968 was submitted to the Board.

2. The accounts of the regional office are sent regularly to the Headquarters. Most of the time the photocopies of payment vouchers are sent together with the statements. It would, therefore, be necessary for the Secretariat to forward actual copies of payment vouchers on all occasions.

3. Petty Cash Book : Expenditure effected from the petty cash cannot be checked at the General Secretariat as no receipts are attached to them. Both the Internal Auditor and the Chief Finance Officer had made recommendations to the effect that the petty cash fund should not exceed U.S. \$ 100 and that no expenditure should exceed U.S. \$ 50. It is hoped that this recommendation would be quickly put into effect.

4. Purchase of a carpet (Voucher N° 30/OAU/68 - March. Amount : \$ 1,500). The expenditure was effected without consultations at the Headquarters nor was a call for tender made in order to obtain the best price.

5. The payment of overtime to Mme Saint Lot U.S. 87.15 is contrary to the existing rules, and should be recovered.

6. According to the report of the International Auditor, Mr. Wright was overpaid the sum of US.\$ 2,330 in Housing allowance, Furthermore it was noted that he was paid salary at the rate of US.\$ 6,880 instead of US.\$ 6,130 which is stated in his contract. The Chief Finance Officer rightly requested in a letter to Mr. Wright that all the overpayments should be refunded. Recently, however, the Secretary General wrote to Mr. Wright granting him all the amounts incorrectly drawn, because of the high cost of living in New York. The Board considers that this matter should be re-examined and, if necessary, Mr. Wright be called upon to refund the overpayments either in whole or in part.

7. Payments to Mr. Thiam : The present Executive Secretary has also been given housing allowance. However, in a letter of 19/12/68, Ref. FIN/50/5, the Chief Finance Officer requested the reimbursement of the sum with effect from 1st June 1968.

We hope that, as the post of the Executive Secretary has been up-graded from P.2 to P.4, the request will be complied with.

Moreover the following sums should be refunded :

a) Excess payment of salary for the months of February and March 1968 of US.\$ 260.35. This has been pointed out in the aforementioned letter.

b) Payment of US.\$ 400 (Voucher of April 1968, Cheque No 1028 of 22/4/68) for the insurance of the Executive Secretary's private residence which is not provided for in any of the regulations.

c) Excess payment of installation allowance : US.\$ 609

d) Installation of a telephone in the private residence for the sum of US.\$ 40.

8. Loan of US.\$ 600 to Mme Saint Lot : This loan is irregular for two reasons : first, the amount exceeds 50% of Mme Saint Lot's monthly salary, and secondly, the reimbursement (24 months) should be effected within one to two months.

9. Christmas Bonus : Despite last year's recommendations, Christmas Bonus is still being paid. Those noted were as follows :

Mme Saint Lot	US.\$	100
Miss Bryan	"	70
M. Moise	"	30
		<hr/> 200

There is an urgent need to put an end to these irregularities. The amounts should be recovered.

**ORGANIZATION OF
AFRICAN UNITY**

SECRETARIAT
P. O. Box 3243

ADDIS ABABA

**ORGANISATION DE L'UNITE
AFRICAIN**

SECRETARIAT
B. P. 3243

COUNCIL OF MINISTERS
Twelfth Ordinary Session
Addis Ababa - February, 1969

CM/241/Add.1

COMMENTS OF THE GENERAL SECRETARIAT ON THE REPORT OF
THE BOARD OF EXTERNAL AUDITORS ON THE ACCOUNTS OF THE
ORGANIZATION OF AFRICAN UNITY FOR THE PERIOD 1ST JUNE
1967 TO 31ST MAY, 1968



COMMENTS OF THE GENERAL SECRETARIAT ON THE REPORT OF
THE BOARD OF EXTERNAL AUDITORS ON THE ACCOUNTS OF THE
ORGANIZATION OF AFRICAN UNITY FOR THE PERIOD 1ST JUNE
1967 TO 31ST MAY, 1968

The General Secretariat is pleased to report that at the last meeting of the Board of Auditors, relation between the Board of Auditors and the General Secretariat has improved considerably. There are, however, some areas in which some misunderstandings are still prevalent. It is to be hoped that the trend shown at the last meeting of the Board will continue. It must be recorded that the General Secretariat deeply appreciates the great effort exercised by the members of the Board of Auditors to perform their functions with the limited facilities available to them in terms of time and subsistence allowance. It is to their great credit that despite these odds they were able to examine the accounts of the General Secretariat in the way they have done and were also able to produce the highly informative report they have submitted. In the remarks contained in this paper on the report, attention will be directed to those areas where it seems to the General Secretariat some misunderstandings have occurred in the minds of the members of the Board of Auditors. In directing attention to these points, the concern of the General Secretariat is merely to state the facts and problems connected with some of the operations of the General Secretariat.

As will be seen in this paper, the comments of the General Secretariat are not designed merely to defend its action but are intended in many cases to throw some light on the situations under which the General Secretariat had had to take certain decisions and embark on some actions. In some other cases, the comments are designed to support the position of the

Board of Auditors and provoke some thought on the part of the Advisory Committee and the Council of Ministers in the direction of considering the best way of regularising certain situations through direct policy making by the relevant bodies of the Organization. The General Secretariat will proceed to comment on the Board of Auditors report paragraph by paragraph:

PARAGRAPHS 1 AND 2 - General

The General Secretariat has no comments to make on these two paragraphs.

PARAGRAPHS 3 AND 4 - Scope of Audit

It is clear from these paragraphs that members of the Board of Auditors have very limited time in which to do their work. As a result of this shortage of time neither has the Board been able to go into details nor is the General Secretariat fairly treated when the Board by the use of sample checking, proceeded to make conclusions which are of immense significance. It would have been better for both the Board Auditors and the General Secretariat, if they had enough time to handle the business of auditing. It would then be easier for the Board of Auditors to appreciate some of the difficulties of the General Secretariat. The General Secretariat will therefore wish to recommend for the consideration of the Advisory Committee and the Council of Ministers that Member States providing the members of the Board of Auditors be urged to make their officials available for as long as would be necessary for full auditing. It may be argued that with the presence of an Internal Auditor, such full auditing may not be necessary. While there is some wisdom in this contention there is no doubt that the present time available for the Board of Auditors is very short for effective investigation. The problem calls for careful attention.

PARAGRAPH 5 - State of the Accounts

The General Secretariat has noted the advise of the Board of Auditors in respect of balancing accounts with the journal figures in order to avoid some of the accounting discrepancies discovered by the Board. This practice will be instituted immediately.

PARAGRAPH 6 - Financial Statements

There seem to be some misunderstanding in the minds of the Board of Auditors concerning the periodic statements of accounts made available to the Administrative Secretary-General. The confusion seems to be from the fact that the Board took the year end statements which the General Secretariat usually submits to the Council of Ministers for the normal monthly statement of account submitted regularly to the Administrative Secretary-General. The present practice is to inform the Administrative Secretary-General and the Assistant Secretary-General in charge of Administration and Finance a monthly state of accounts of the Organization. This is monthly. In addition to this, at every meeting of the Council of Ministers statements of accounts are circulated for information and sometimes for discussions. It is these categories of statements of accounts that the Board of Auditors referred to as having been issued in January, 1968 and May, 1968. The statement of January, 1968 was meant for the Council of Ministers of February, 1968 and statement of May, 1968 was meant for the Advisory Committee meeting in August, 1968 and subsequent Council of Ministers meeting in September, 1968. Apart from these two statements there are monthly statements of accounts which are meant for internal use only by the Administrative Secretary-General and the Assistant Secretary-General in charge of Finance.

PARAGRAPH 7 - Balance Sheet

The General Secretariat is in complete agreement with the Board of Auditors that the sums enumerated in this paragraph of their report were not included in the original balance sheet prepared by the General Secretariat and submitted at Algiers meeting. It has been clearly stated in Algiers by the Assistant Secretary-General in charge of Administration and Finance during the discussion on the statement of account submitted that cash balances of Regional Offices were not included because at that time they were not known. The statements have since been received from the Regional Offices and as would be found in the final balance sheet, they have been included. There is therefore

no deliberate attempt on the part of the General Secretariat to channel these cash balances of the Regional Offices into some other account. On the question whether over-payments made by Member States should be regarded as liability or assets, the General Secretariat is of the opinion that the question can be avoided entirely by asking the opinion of the Member States concerned as to whether the over-payments should be refunded to them or be regarded as donations, or should be used to reduce their contributions. However Member States paying in excess are informed of the fact of such excess payments which are shown regularly in our statements of contributions which are circulated for information at all the meetings of the Council of Ministers. When a Member State therefore, having paid in excess, is not insisting on refund, the General Secretariat does not consider it advisable to regard such excess payments as liability but preferred to treat it as assets arising from donations.

PARAGRAPHS 8 AND 9 - Revenue

The General Secretariat has no comments on these two paragraphs.

PARAGRAPH 10 - Receipts

The General Secretariat regrets very much the clerical mistake revealed in this paragraph of the report and will assure the Advisory Committee and the Council of Ministers that great care and attention will be maintained on all such matters in the future. The General Secretariat also accepts the advice of the Board of Auditors especially on the effective control over intake of money by establishing the practice of issuing receipts in sequence.

PARAGRAPH 11 -

The General Secretariat is much surprised that the Board of Auditors having visited the Regional Offices did not state whether they found the two receipt books in question.

Our impression is that they found them and if this was the case, it would have been better to have excluded this paragraph from their report. The General Secretariat accepts the advice of the Board of Auditors to establish records for the proper control of printed receipt forms.

PARAGRAPH 12 - Miscellaneous Incomes

The General Secretariat accepts the advice of the Board of Auditors to establish a ledger card for recording miscellaneous incomes.

PARAGRAPH 13 - General

The General Secretariat will like to explain that the increase in advances to the members of staff was due to additional recruitment during the period under review. It has not been due to any indiscriminating granting of advances to those members of staff already owing. The General Secretariat accepts the advice of the Board of Auditors to create a control account and to balance individual account every month against the control account at regular intervals in order to avoid any risk of overlooking some advances. It is to be noted however that the Board has not discovered any instances of advances having been overlooked.

PARAGRAPH 14 - Advance - Government of the Gambia

It is unfortunate that the Board of Auditors decided to include this matter in their report. It is clear from the explanation given to them by the General Secretariat that some action had been taken. Between September and November is not such a long time as to make the General Secretariat worry that there is no response from the Government of the Gambia. Presumably the Board is more influenced by the 18 months elapsing since the expenditure was incurred. It has not been possible to ascertain the full expenditure until all claims have been received and met. That was why the General Secretariat took such a long time before discussing the subject with a member of the Gambian delegation in Algiers. The sum of US.\$9,411.16 is the total expenditure incurred on the meeting

of the Advisory Committee in Bathurst. The actual expenditure for which the Gambian Government should be responsible is in fact US.\$4,000.00. This is the extra expenditure incurred in consequence of having the meeting in Bathurst. So the correct amount owing by the Government of the Gambia is US.\$4,000.00 not US.\$9,411.16. The Advisory Committee and the Council of Ministers are requested to allow more time for the General Secretariat to pursue the case with the Government of the Gambia.

PARAGRAPH 15 - Advances - Members of the Board of Auditors

Members of the Advisory Committee and the Council of Ministers will recall that in February, 1968, in the budget proposal to the Committee, a provision was recommended for the Board of Auditors to take care of their air fares and per diem allowances during the period of auditing. This recommendation was rejected by the Advisory Committee. It was agreed that Member States providing members of the Board, like those of the Advisory Committee, should be fully responsible for their expenses. As we have already stated, the Board of Auditors should meet for much longer period than any other body of the Organization. When therefore members of the Board exhaust the amounts of money available to them from their Governments while staying in Addis Ababa, and will still have some days to go, the General Secretariat always finds it difficult not to involve itself in unauthorized advances of expenditure, in order to enable the Board to complete their work. In addition to the problem of maintaining themselves in Addis Ababa during a long period of auditing, they are also obliged to visit Regional Offices. In most cases, their Governments had booked their passages as far as to Addis Ababa. It is therefore necessary for the General Secretariat to incur unauthorized expenditure, not only in making it possible for them to visit the Regional Offices, but also to enable them maintain themselves while in the Regional Offices. The General Secretariat has done all these in the past. It is in the light of these experiences that the recommendation to

make provision for the Board of Auditors was submitted at the January, 1968 meeting of the Advisory Committee. If the General Secretariat were to adhere strictly to the Financial Rules and Regulations in this connection, we might not have had any audit report before us. Even the members that sat recently to produce the report under consideration have had to go to the Regional Offices at the expense of the Organization which was incurred without any authority because there is no vote for such an item. The problem of advances to the members of the Board of Auditors therefore should be tackled directly along with the problem of making some financial provision in the budget for the Board.

PARAGRAPH 16 - The Working Capital Fund

The General Secretariat is much surprised to find that in spite of the explanation given to the Board, the report still still contain a chastisement that the General Secretariat has failed to transfer to the Working Capital Fund, the savings of US.\$179,333.82 achieved in the budget of 1967/68. It was explained to the Board fully that the Council of Ministers had committed substantial portion of this savings to the High Sports Council for Africa and the Cultural Festival Committee of the O.A.U. If the Board of Auditors had any reason for including this matter in their report which they had not wanted to reduce into writing, perhaps the Ethiopian representative on the Board may wish to explain the reason orally.

PARAGRAPH 17 - The Budget

It should be recalled that at the Ninth Session of the Council of Ministers in September, 1967 in Kinshasa when it was decided that the General Secretariat should spend only 90% of the re-voted budget during the financial year 1967/68, the Council did not direct the General Secretariat to observe this 10% limitation on each item. Indeed it should be recalled that several delegates raised this matter and the final consensus was that the General Secretariat should be left free to operate within the limit of 90% of the entire budget. Therefore the

General Secretariat had not interpreted the Council's decision wrongly in order to achieve the desired 10% savings. Had the General Secretariat been compelled to observe the 10% limitation on each item of the budget, the rigidity which would have been created in consequence, would have made the budget unworkable. It was explained to the Board of Auditors that the Council's decision on this matter was without prejudice to the normal annual increment of staff salaries as a result of which it would have been impossible to impose 10% restriction on every item of the budget. The pre-occupation of the General Secretariat was to achieve the 10% savings on the overall budget, with full attention to the Financial Rules and Regulations.

PARAGRAPH 18 - Out-turn of Expenditures

It is very difficult to talk about excess expenditure on any item of the budget, not only because of the 90% limitations, but also because of some general situation that have made the 1967/68 budget very peculiar. It should be recalled that the 1967/68 budget was a re-vote of that of 1966/67. It will also be recalled that the 1966/67 format of the budget was incomplete as a result of which some items of expenditure were not provided for or were lumped together. It was for these reasons that the 1968/69 budget was so reformed and improved that even its format had previously to be approved at Bathurst in July, 1967, before it was implemented in February, 1968. It was the same situation that led to the excess expenditure and unauthorized expenditure reported by the General Secretariat in Kinshasa, 1967 September and finally approved in February, 1968. The basic reason for this situation is that the incomplete format of 1966/67 budget was the same as the 1967/68 budget with all its inadequacies. Problems of excess expenditure will cease to occur as from the 1968/69 budget which is more comprehensive and fully analysed in items.

The total approval for each item may present some difficulties, even to the Board of Auditors. First there was the original vote approved for each item and secondly there was additional appropriation resulting from retroactive approval of the excess expenditure reported in February, 1968 on the same budget. To compare the expenditure therefore with the total appropriation it would be necessary to add to the original appropriation the additional appropriation resulting from retroactive approval granted by the Council in respect of the 1966/67 budget. The following schedule illustrates precisely these complications.

COMPARATIVE STATEMENT ON VOTES WITH EXCESS EXPENDITURE FOR 1967/68
FINANCIAL YEAR. REF. ANNEX IV, BOARD OF AUDITORS REPORT

Account Code	Titles	Original Appropriation 1966/67	Additional Appropriation as a result of retrospective approval of the Council 1966/67	Total 1966/67	1967/68 Expenditure	1968/69 Appropriation
102	Temporary Assistance		48,196.01	48,196.01	27,497.09	-
201	Travel on home leave & Separation	20,000.00	-	20,000.00	24,228.45	41,000.00
205	Housing Allowance	27,000.00	-	27,000.00	44,076.76	27,600.00
209	Gratuity on completion of Service	5,000.00	2,277.04	7,277.04	58,668.87	30,000.00
300	Travel on official missions	15,000.00	27,555.52	42,555.52	37,946.73	46,950.00
601	Bank Charges & revenue stamps	-	5,032.92	5,032.92	5,643.40	7,000.00
602	External Audit Costs (Liquidators)	-	-	-	8,105.46	-
606	Subscription to newspapers	-	1,931.06	1,931.06	3,289.84	3,000.00
607	Other supplies & services	-	3,648.10	3,648.10	8,439.16	5,000.00
702	Furniture and Fixture	-	15,903.66	15,903.66	6,535.32	7,000.00
703	Office Equipment	-	7,446.94	7,446.94	2,766.76	9,000.00
706	Press & Information Equipment	-	5,558.74	5,558.74	2,441.22	2,000.00
800	Assembly of Heads of State	37,080.00	38,388.01	75,568.01	123,240.42 ⁺	94,438.00
801	Council of Ministers	33,764.00	8,185.30	41,949.30	61,158.24	79,045.00

+ Note that a refund in the amount of US.\$49,000.00 is awaited from the Democratic Republic of Congo.

It would be seen therefore that majority of the items of unauthorized expenditure and excess expenditure were items for which no provision were made. It is in order to rectify these anomalies that the format of the budget was approved and more realistic appropriations made as shown in the last column of the schedule on the preceding page. The only serious excess expenditure is the one relating to gratuity and this is the subject of another paragraph on which the General Secretariat will make a fuller statement.

PARAGRAPH 19 - Review of Expenditure

It should be observed from the schedule on page 9 that the vote "Travel on Official Missions" was in the 1966/67 budget US.\$15,000.00 and that during that year the excess expenditure of US.\$27,525.00 was incurred. It was subsequently approved retroactively in February, 1968. In considering the 1968/69 budget, the Advisory Committee insisted on detail analysis of travel proposals. The exercise led to an appropriation of US.\$46,000.00 in the current budget. It would appear therefore on the basis of the figures shown in the schedule that in reality, there is no excess expenditure on "Travel on Official Missions" if we regard total appropriation to be US.\$42,525.00.

PARAGRAPH 21 - Commutation of Leave for Cash

The General Secretariat is of the opinion that the problem of granting leave or commuting it for cash is a purely administrative question, although it must be agreed that proposals for amendments to the Staff Rules and Regulations by the Council of Ministers will immensely facilitate the general administration of the General Secretariat. In our opinion so far as commutation of leave for cash does not involve additional expenditure, it could be regarded as purely administrative matter which could be settled by the Administrative Secretary-General. Full explanation of the background to this problem has been given in the Secretariat's answer to the Board of Auditors reference question 2 of Appendix II. At present the

General Secretariat is making a list of all the amendments which will be proposed, not only of the Staff Rules and Regulations, but also to the Financial Rules and Regulations in order to establish a smoother administration in the General Secretariat. This will be presented in due course and will be based on five years experience of the General Secretariat.

PARAGRAPH 22 - Communications

The General Secretariat accepts the advice of the Board of Auditors on the control of stamps in the General Secretariat and will very soon designate an officer to be in charge of the stamps in order to establish the desired control.

PARAGRAPH 23 - Gasoline Issue

It is not correct that the General Services Department has no control on the movement of the vehicles and the consumption of gasoline. There are vehicles attached to the Secretary-General and his four Assistants, they are subject to control by the officers themselves. There are however vehicles belonging to the office which are controlled in the pool. The General Secretariat is satisfied with control on the movements of vehicles in the pool and their gasoline consumption is for the time being satisfactory. However, the General Secretariat accepts the methods recommended by the Board for the purpose of further improving the control.

PARAGRAPH 24 - Local Purchases

It is not correct that the Tender Board had its first meeting on the 9th April, 1968. What is correct is that, on that date the Board met in a newly constituted form with formal minutes and records of discussions being taken. Previously, minutes were not kept of the meetings of the Board but the General Services Department had taken notes of the decisions made and implemented them. From 9th of April, 1968 the Board had additional new members in the persons of the new Head of Administration, the new General Services Officer, and the Legal Adviser. The meeting thus became more formalized and

that is why the Board of Auditors were able to have a record of it. It became clear to the General Secretariat that unless the Tender Board maintain minutes of discussions, the Board of Auditors and any other interested persons may not be aware of the existence of the Tender Board. What appears to the Board to be a practice of obtaining quotations and placing orders from the suppliers that offer the best terms was in fact the unfortunate situation created by the Tender Board having no minutes of its deliberations thus giving impression that it had never met. This situation had been rectified since April. The Advisory Committee may wish to consider if it is necessary to streamline the procedure of the Tender Board by giving specific directives on this subject, especially with regard to the observance of financial limitations.

PARAGRAPHS 25 AND 26 - Gratuity Payment.

The General Secretariat in a recent answer to the Board of Auditors, reference question 4 on page 2 of Appendix II has explained fully the background to this expenditure. According to the Pension Scheme, when an employee has not spent up to five years and is leaving the services, the Administrative Secretary-General is empowered to treat such an employee as if he were a contract officer. The relevant portion of the Pension Scheme is reproduced below:-

"... Should a staff member leave the service of the Organization before he completes five years of service he shall be entitled to claim all his contributions towards the fund plus a lump sum compensation to be determined by the Administrative Secretary-General as if the staff member were a contract officer."

From the above quotation it is clear that even the Pension Scheme appreciates that the Administrative Secretary-General could treat a permanent officer as if he were a contract officer in order to make certain payments under the scheme. It seems to the General Secretariat that the basic question the Board could legitimately ask is the question of excess

expenditure on the item of the ~~vote-for~~ gratuities. The General Secretariat still holds the view that the Administrative Secretary-General is entitled to convert permanent appointments to contract with the consent of the employee concerned and to convert a contract officer to permanent if he consider such a course of action necessary. The General Secretariat therefore still holds the view that in consequence of this administrative right of the Secretary-General he could authorise payments to be made arising from contract employment or permanent employment in accordance with the Staff Rules and Regulations and the Pension Scheme. The only mistake therefore which the General Secretariat might appear to have committed on this matter is the excess expenditure involved. As has been stated in preceding paragraphs of this paper, the General Secretariat is obliged to make a 10% savings and since this 10% savings cannot conveniently be imposed on every item of the budget, it must be admitted that general flexibility in the operation of the budget would be inevitable. Despite the payment of the gratuity, the General Secretariat was still able to operate within the 90% limitation. Should the Advisory Committee and the Council of Ministers accept the recommendation of the Board of Auditors that the employees concerned should refund to the Organization the amounts paid to them, then the Advisory Committee and the Council of Ministers will respectfully be requested to direct the General Secretariat on the best way of compensating the employees concerned for the period they have served which is covered neither by the Pension Scheme nor the provision of gratuity as contained in the Staff Rules and Regulations. The Advisory Committee and the Council will further be respectfully requested to make a provision in the next budget for meeting the expenses which will be incurred in the implementation of the directives to be issued in this regard. If, however, the Advisory Committee and the Council of Ministers appreciate the argument of the Administrative Secretary-General and agree that he has acted in good faith in the interest of the Organization which includes the welfare of

the employees, then the General Secretariat will indicate that excess expenditure under the gratuity vote, like all other excess expenditures, will, in future, be avoided. The Administrative Secretary-General issued the circular on payment of gratuity after full consultation with his colleagues and senior staff.

PARAGRAPH 27 - Year-end Expenses

The matters contained in this paragraph of the Auditors report are the most surprising in the entire report from the point of view of the General Secretariat. In the first place there is no provision in the Financial Rules and Regulations which prevents the General Secretariat from incurring expenses of any magnitude at certain parts of the financial year. As far as the Financial Rules and Regulations are concerned, the General Secretariat is free to undertake expenditure at any part of the financial year so long as these are provided for in the budget. It is therefore unfortunate that the Board of Auditors could have insinuated a rather unfortunate motive for the pattern of expenditure observed during the financial year. The whole paragraph is even more surprising when it is recalled that the General Secretariat had tried to fully inform the Board of Auditors on the reason for the magnitude of the expenditure shown in April and May, 1968. In April, 1968 most of the expenses were transfers to the Regional Offices as shown below:-

- | | | |
|------|---|-----------------|
| (i) | transfer of subvention to Regional Offices: | |
| | (a) S.T.R.C. | US.\$112,000.00 |
| | (b) African Group | US.\$ 20,000.00 |
| | (c) Liberation Committee | US.\$ 10,000.00 |
| | (d) Advance to Mediation,
Conciliation & Arbitration
Commission | US.\$ 30,000.00 |
| (ii) | transfer to co-ordinating
Committee for Liberation of
Africa (Rhodesia) | US.\$ 90,000.00 |

(iii)	prior year obligation for which payment was made during this month	US.\$ 6,519.29
(iv)	advances recoverable i.e. advances of salary and car loans & Miscellaneous	<u>US.\$ 14,322.92</u>
	T O T A L	<u>US.\$282,842.21</u>

Therefore, the actual expenditure during the month will be as follows:

$$\text{US.}\$425,517.02 - \text{US.}\$282,842.21 = \text{US.}\$142,674.81$$

In May, 1968, the monthly expenditure was at US.\$304,376.74 as stated in the Report of the Board of Auditors. The increase in expenditure during this month is due to the fact that the expenditure of Regional Offices was incorporated with that of the General Secretariat in order to prepare a statement at the end of the financial year.

The expenditure of Regional Offices are as follows:

(i)	S.T.R.C.	US.\$163,019.64
(ii)	Secretariat, African Group	US.\$ 11,157.09
(iii)	Liberation Committee	US.\$ 24,306.64
(iv)	Advances recoverable (salaries, advances & car loans to newly arrived staff)	US.\$ 11,066.66
(v)	Prior year payment	<u>US.\$ 520.00</u>
	T O T A L	<u>US.\$210,070.05</u>

Therefore the expenditure incurred during this month will be US.\$304,376.74 less US.\$210,070.05 = US.\$94,306.69.

PARAGRAPH 28 - Budget Objectives

The case of the absence of break-down and item analysis has been rectified by the adoption of the budget format in 1968 and it is implemented in the 1968/69 financial year. What the Board have observed was the situation that has already been explained. The incompleteness of the 1966/67 budget was carried over by re-voting, to the 1967/68 budget which is the

year of auditing. The present format of the budget contains sufficient details and analysis of items. If in future further breakdown of items are necessary this would be recommended for the consideration of the Advisory Committee.

PARAGRAPH 29 - General Ledger

The General Secretariat accepts the principle of establishing a general ledger. Instructions for the implementation of this advice has already been issued.

PARAGRAPHS 30 AND 31 - Regional Offices

The General Secretariat is still exercising efforts to improve the co-ordination of the accounting services of the Regional Offices with the Headquarters. To this end sufficient travel provision should be made to enable more frequent contacts between the Regional Offices and the Headquarters.

PARAGRAPHS 32 AND 33 - General Accounting Office: Internal Audit

The Board did not indicate by any example the area in which co-ordination between the offices of the Chief of Finance, Chief of Personnel and the Chief of the General Services has been lacking. These three Heads of Sections are under the direct supervision of the Head of Administration who is responsible in turn to the Assistant Secretary-General in charge of Administration and Finance. However, the General Secretariat will further examine the problem of co-ordinating the work of these three sections with a view to further improvement. The General Secretariat has noted the other point made here and expected the Internal Auditor to take necessary action to improve the situation.

PARAGRAPH 34 - General

The General Secretariat is completely pleased with the Board of Auditors for finding it necessary to make the recommendation contained in this paragraph of their report. It must, however, be pointed out that the Chief Accountant in Dar-es-Saleem is not a Chief Accountant by designation, he is an Assistant Executive Secretary. His salary is therefore of the level of an Assistant Executive Secretary, not a Chief Accountant.

PARAGRAPH 35 - Board of Auditors

The General Secretariat has no comments on this paragraph.

PARAGRAPHS 36 AND 37 -

The problem revealed in these two paragraphs has already been dealt with in this paper. The General Secretariat therefore completely supports the Board of Auditors on this question.

PARAGRAPH 38 -

The General Secretariat has no further comments on the question of Rules of Procedure for the Board of Auditors.

PARAGRAPH 39 -

The General Secretariat will arrange to have the representative of Ethiopia present at any of the meetings of the Advisory Committee or the Council of Ministers where he may be required.

PARAGRAPHS 40 AND 41 -

The General Secretariat wishes also to record its appreciation for the good work done by the Board of Auditors and also to express the view that effective co-operation between the Board and the General Secretariat can be achieved without any interference with the independence of the Board or the General Secretariat. As has already been stated, the General Secretariat is pleased for the improvement in this vital field of co-operation and expects the trend to continue without harming the important position of the Board of Auditors.

ATTACHMENTS:

The following papers are attached to this document:-

- (a) Written questions issued by the Board of Auditors
- Appendix I
- (b) Written answers issued by the General Secretariat
as reply to (a) - Appendix II
- (c) Comments on the Annexure VI of the Board of
Auditors Report - Appendix III
- (d) Comments on the Annexure VII of the Board of
Auditors Report - Appendix IV

The Board of External Auditors present their compliments to H.E. Mr. Diallo Telli, Administrative Secretary-General and shall be grateful for the Secretariat's explanation on the following matters:

1. What efforts have been made to recover the advance of US.\$9,411.16 held in the name of the Government of the Gambia?
2. The Board shall be grateful to know the policy underlying payment of cash in lieu of leave to Staff. Is this practice supported by any existing regulation?
3. Please explain the circumstances which necessitated the payment of US.\$168.30 (D.V.53/7/67) to the Zambian Ministry of Foreign Affairs on behalf of Mr. J. Buliro. It is to be noted that Mr. Buliro stayed on in Zambia for additional days after a Conference and for reasons not clear to the Zambian Government, so the latter refused to meet the expenses involved.
4. The circular on Gratuity is dated 15th February, 1968, which, to the Board, means that gratuities were to be paid with effect from that date. The Board would be grateful if the Secretariat will explain why payments have been made in respect of service prior to this date, since the decision contained in the circular was not made retroactive.
5. An explanation is required as to why the same size of duplicating paper which was purchased at the rate of Eth.\$3.00 per packet (D.V.6/10/67) from Mosvold was purchased from Gallatly Hankey at the higher rate of Eth.\$4.25, i.e. at an increased cost of more than 33%.
6. Will the Secretariat explain why Statements of Expenditure submitted to the Secretariat by the Regional Offices are not supported by details of expenditure and relevant documents as recommended by the Board and endorsed by the Advisory Committee on Budgetary and Financial Matters?
7. The Board wishes to know why the Secretariat's contribution of 14% to the Pensions Scheme is being withheld until five years after a Member has joined the Scheme.
8. The Board shall be grateful if reasons will be adduced to justify the purchase of US.\$6,538.00 worth of new carpets for 18 offices (including that of the Secretary-General) at the close of the financial year 1967/68 when the balance of US.\$16,826.88 standing in the vote for Maintenance of Premises was due to lapse. It was further observed that although the Tender Committee approved the procurement of 406.6 meters of carpets, 575.72 meters were actually purchased.

9. It has come to the notice of the Board that gratuities totalling US.\$52,066.49 have been paid to Statutory Staff who were in the employment of the OAU prior to 1st December, 1966. The Board shall be glad to know if the decision to pay gratuities to Statutory Staff was approved by the Council of Ministers.

The Board of External Auditors avail themselves of this opportunity to renew to H.E. Mr. Diallo Telli, Administrative Secretary-General, the assurances of their highest consideration.

Addis Ababa, December 3, 1968.

REF. FIN.40/2/1199.68

17th December, 1968

The Administrative Secretary-General of the Organization of African Unity presents his compliments to the Board of External Auditors, and has the honour to acknowledge receipt of the latter's Note dated December 3, 1968. The Administrative Secretary-General is happy to submit, hereunder to the Board of External Auditors the full answers to the questions raised.

Question No.1

Since the Gambian Government has a very big amount outstanding with regard to its contribution to the OAU Budget, it was not possible for the Secretariat to submit a claim to the Gambian Government before the meeting in Algiers, when the Assistant Secretary-General in charge of Administration and Finance discussed the matter with a member of the Gambian Delegation to the Algiers Conference.

Question No.2

Some of the Secretariat's posts provided for in the Budget are still not filled. Some officers had to leave the services of the Organization. This situation had led to high pressure of work in many Sections and Departments of the General Secretariat making it impossible for many officers to take their normal leaves when these were due. Therefore, after consultation with the Chiefs of Sections or Directors of Departments, payment of salaries in lieu of leave were made to some members of staff in order that the work in their Departments should not be handicapped. If members of the staff are not permitted to go on leave at the time their leaves are due, some of them would be forced to accumulate more than two months leave, contrary to the Staff Rules and Regulations. The Administrative Secretary-General was therefore faced with two situations: on the one hand there was the need to keep the work of the many sections and departments going and on the other hand there was the need to comply with the Staff Rules and Regulations according to which no employee of the General Secretariat is permitted to accumulate more than two months leave. In the circumstances the Administrative Secretary-General, following the normal practice of many national governments, decided to issue administrative circular, a copy of which is herewith attached for reference, making it possible administratively to settle questions arising from such situations by paying salaries in lieu of leaves, to such members of staff who were prevented from taking their leaves and who by not going on leave would have been obliged to accumulate more than two months leave. It is however regretted that the Administrative Circular under which this question is now administratively handled was not issued in time as a result of which some salaries in lieu of leaves were

paid, before the issue of the circular, but on pure ground of equity, when an employee is prevented from going on leave. From now on all such payments are made in accordance with the circular, i.e. payments for leave period an employee is not permitted to enjoy and which would have put him in position to go against the Staff Rules and Regulations by accumulating more than two months leave.

Question No.3

In addition to attending the Conference of the World Assembly of Youth in Zambia, Mr. Buliro, Assistant Secretary-General in charge of Cultural and Scientific matters was also officially charged with the duty of consulting the Government of Zambia on other matters. This led to his prolonging his stay in Zambia without having sufficient funds with him and so the Zambian Government was obliged to assist him temporarily. The General Secretariat therefore had to refund to the Zambian Ministry of Foreign Affairs the amount of US.\$168.30 by which the Zambian Government had assisted Mr. Buliro.

Question No.4

Section 5, Article 3 of the Staff Rules and Regulations of the Organization provides payment of gratuity of staff members employed on contract or fixed term basis on satisfactory completion of the service or contract:

QUOTE "... Gratuity: The Organization shall pay a gratuity amounting to ...% of the basic annual salary to each staff member employed on contract or on a fixed term basis of not less than one year, on the satisfactory completion of his service or contract". UNQUOTE

The Document CM/39, "STAFF RULES AND REGULATIONS", was adopted by the Council of Ministers in March, 1965. The circular of the Administrative Secretary-General, dated February 15, 1968, took care mainly of the percentage of the basic annual salary to be paid to these staff members.

The question here relates specifically to gratuity paid prior to the issue of the circular of the 15th February. In answer, the attention of the Board of Auditors is drawn to the fact that payment of the gratuity was based strictly on the contents of Appointment Letters of each staff member and that most of the Appointment Letters were issued prior to the circular referred to by the Board, but in conformity with the Staff Rules and Regulations.

Question No.5

The explanation to this question is quite a simple one. Normally, we buy duplicating papers from Mosvold because of the low price, but at this particular time when there was an urgent need to buy more duplicating papers for the OAU Summit in Kinshasa, we could not get the papers from Mosvold. We therefore had no other alternative but to purchase the papers from Gellatly Hankey which, at that time, was the only dealer in Addis Ababa to have this same size of duplicating papers.

Furthermore, the duplicating papers were needed for the Summit to be held in Kinshasa, and the Congolese Government who requested the papers to be bought, was duly charged with the amount involved.

It should be pointed out also that in August and September of 1967, most commercial houses in Addis Ababa had not adjusted to the situation created by the closure of the Suez Canal, in consequence of which prices of some commodities inevitably rose and some commodities were not easily available. In view of the urgency with which the General Secretariat had to obtain the necessary supplies for the work of the Summit in Kinshasa, it had no alternative but to purchase from the only dealer available at that time and at the price agreed to.

The Board may wish to note that the Receipt Voucher for the purchase from Gellatly Hankey which was at Eth.\$4.25 per packet was dated 28/8/67 and the receipt voucher for the purchase from Mosvold which was at Eth.\$3.00 was dated 28/9/67. Thus it could be seen that the former was purchased just before the Summit and the latter just after. The Mosvold purchase order shows that 500 packets were ordered but only 300 packets were delivered, because of insufficiency of stocks. Such situations frequently occurred at that time to many of our supplies.

Question No.6

During the year under review, the position of the Regional accounts was very difficult to follow and has been a matter of concern to the Secretariat for a long time. Instructions were sent to these offices in connection with the Statements of Expenditure and the relevant documents to be attached to their accounts. However, since the beginning of the current financial year, especially after the visit of the Chief Finance Officer to these offices, there appears to be an improvement in the submission of these accounts. This trend will be maintained and strengthened.

Question No.7

The answer to this question is to be found in Section III, Paragraph 1 of the Pensions Scheme approved by the Assembly of Heads of State and Government in November, 1966. By this provision in the rules of the scheme, the OAU will only start contribution to the Pension Fund on behalf of an employee of the Organization only after the employee has served up to 5 years.

The General Secretariat is happy that the Board raised this particular point contained in the Pensions Scheme. In this connection the Secretariat wishes to inform the Board that this point has been thoroughly discussed by the high officials of the Secretariat and that it has been already decided to include it in the various amendments to staff documents which the General Secretariat will submit to the Council of Ministers in the near future.

Question No.8

The difference between the procurement of 406.6 square meters of carpet approved by the Tenders Board and the 575.72 square meters actually purchased represents carpeting of the stairs of the two main buildings which was not in the original estimates submitted by the Chief of the General Services to the Board. The Secretary-General later instructed the Chief of the General Services to add the stairs of the two buildings to the original space considered. The additional quantity of carpet necessary for the stairs was purchased at the same rate as approved by the Tenders Board for the original quantity. Price per square meter was therefore the same in the entire transaction.

The General Secretariat would like to add that the purchase of these carpets was necessary because of the cool climate in Addis Ababa and that all the carpets bought are being effectively used. It should be emphasized that the General Secretariat did not immediately prior to the conclusion of the 1967/68 financial year embark on spending the amount voted for Maintenance of Premises merely because it was due to elapse. Were this the case, all or nearly all the amount voted under that sub-head would have been spent. But there is no doubt that the Board of Auditors would have noted that even less than half of the balance was spent at the time in question.

Question No.9

The payment made to the Statutory Staff who were in the employment of the OAU prior to 1st December, 1966 was based on an administrative circular issued by the Administrative Secretary-General in accordance with the Staff Rules and Regulations and the OAU Pensions Scheme after consultation with the Assistant Secretaries-General. A copy of the circular is attached herewith for easy reference.

The Staff Rules and Regulations which authorized the Administrative Secretary-General to establish Pensions Scheme for the Permanent Statutory Staff of the Organization was approved in March, 1965. The Pensions Scheme was only adopted in November, 1966 and implemented from December, 1966. Therefore the only means, in the view of the General Secretariat, of compensating the Permanent Statutory Staff members who were in employment of the OAU from the date of the adoption of the Staff Rules and Regulations to the date of the implementation of the Pensions Scheme is to regard them as entitled to gratuity payment for the period from the date of adoption of the Staff Rules and Regulations to the date of implementation of the Pensions Scheme, as if the staff concerned were on contract or fixed term of service. Had they not been so treated, there would have been an element of injustice done to them by reason of having a part of their services not attracting either gratuity or pension. This would have been inequitable. The solution was therefore to regard that period of their service as if they were then on contract.

The Administrative Secretary-General has a right in accordance with the Staff Rules and Regulations to appoint, on the recommendation of the Board of Recruitment and Promotion, a staff member on contract. On the same conditions he can convert a permanent appointment to a contract appointment, with the consent of the staff member concerned.

It is therefore not necessary to submit individual cases of gratuity entitlement to the Council of Ministers since they are covered by the Staff Rules and Regulations. Nor is it necessary to submit to the Council of Ministers the collective case of many entitled officers.

The Administrative Secretary-General of the Organization of African Unity hopes that the Board of External Auditors will find this explanatory note satisfactory, and avails himself of this opportunity to renew to them the assurances of his highest consideration.

ADDIS ABABA.



ORGANIZATION OF
AFRICAN UNITY

SECRETARIAT
P. O. Box 3243

ADDIS ABABA

ORGANISATION DE L'UNITE
AFRICAINNE

SECRETARIAT
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COUNCIL OF MINISTERS

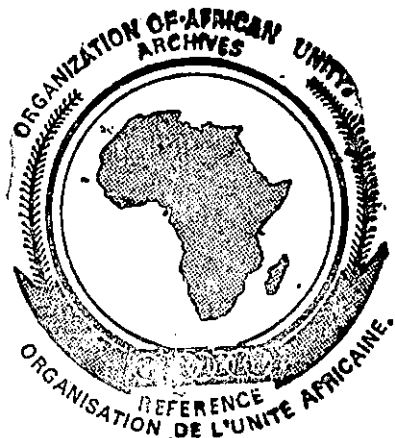
Twelfth Ordinary Session

Addis Ababa - February, 1969

CM/241/Add.1

Appendix III

COMMENTS ON ANNEXURE VI OF THE BOARD OF AUDITORS
REPORT ON THE ACCOUNTS OF THE CO-ORDINATING COMMITTEE
FOR THE LIBERATION OF AFRICA



COMMENTS ON ANNEXURE VI OF THE BOARD OF AUDITORS
REPORT ON THE ACCOUNTS OF THE CO-ORDINATING COMMITTEE
FOR THE LIBERATION OF AFRICA

4. REVENUE

It is the practice at the Executive Secretariat of the OAU Liberation Committee to write to all Member States of the OAU at the beginning of every financial year, reminding them of their due contributions to the Special Fund. In addition, financial statements are submitted to the meetings of Liberation Committee, and the Council of Ministers showing arrears and lists of contributions of Member States from the financial year 1963/64. The Executive Secretariat is however, willing to adopt recommendation of the Board of Auditors on this matter.

EXPENDITURE: SECRETARIAT

6. Advance - Mr. Magombe - DV.472 of 25/11/67

The advance paid to Mr. Magombe was not made contrary to the regulations, since it was approved by the Administrative Secretary-General who had power to authorise the advance in exceptional circumstance.

7. Payment to GRAE

It is hard to see why the payment of £1,875 made to G.R.A.E. should appear suspicious to the Board. The receipt and letter of acknowledgement were signed by Mr. H. Roberto's Financial Secretary on behalf of his President (Mr. Roberto) who was away in Niamey attending a meeting of the OCAM group.

8. Entertainment

In the Budget of the Executive Secretariat US.\$700 is provided for "Entertainment and Return of Hospitality". Through usage and practice this sum of money is to be used for entertainment and return of hospitality.

Because of the nature of work it would be a serious contradiction should we entertain during Africa Day, - when we are supposed to raise funds for Freedom Fighters.

9. Hire of Tape-recorder

Since Verbatim Reporters were not used at the 12th Session of the OAU Liberation Committee which took place in January, 1968, a tape recorder became necessary for the transcription and processing of documents of that meeting.

The Executive Secretariat therefore hired a tape-recorder in the first instance. When through experience, the Executive Secretariat saw that the cost of hire was proving less economical, a new tape-recorder was purchased to finish up the remaining part of the work. This machine remains the property of the OAU and is available for checking at the Executive Secretariat.

10. Official Travel

The excess expenditure incurred in respect of official and operation mission during the financial year 1967/68 was due to payment of old bills for financial year 1966/67. Some of these bills were not paid either because of lack of funds or because they were not forwarded in good time.

The nine members of the Secretariat did not attend the 12th Session as delegates but went to service this Session. It included the Executive Secretary, three Assistant Executive Secretaries and five English Typists. This was the minimum the Secretariat could do with in servicing the meeting efficiently.

11. Comments on the Special Fund will be submitted later by the Executive Secretary.

COUNCIL OF MINISTERS
Twelfth Ordinary Session
Addis Ababa - February, 1968

CM/241/Add.1
APPENDIX IV

COMMENTS ON THE BOARD OF
AUDITOR'S REPORT ON S.T.R.C. ACCOUNTS

ANNEX VII

BY THE EXECUTIVE SECRETARY
S.T.R.C.

COMMENTS ON THE BOARD OF AUDITOR'S REPORT ON STRCACCOUNTS - ANNEX VIIBY THE EXECUTIVE SECRETARYS. T. R. C.SYSTEM OF ACCOUNTING

The recommendations made by the Board of Auditors are being put into practice with immediate effect.

REVENUE

When the Auditors discussed the revenue from housing scheme with me, I explained to them that the normal recurrent expenditure on the houses were balance by the revenue and that the sum of US.\$48,000.00 shown as expenditure by their report was not normal expenditure. It was a result of the redemption of two of the properties. The two properties were redeemed by drawing on the existing funds in the housing account up to the tune of US.\$24,000.00. It is therefore incorrect to present the figure of normal expenditure as US.\$48,000.00 as they have done in the report. At the Algiers meeting this position was reported to the Advisory Committee on Budgetary Matters; the Committee was satisfied with this idea of periodic redemption of the property with the accumulated revenue from the property.

EXPENDITURE

The figure of excess expenditure of US.\$96,000.00 was explained in detail to the Board of Auditors. The expenditure was forced on the Secretariat by two factors. First the fact that the estimates for the year of their report was not approved by the Council of Ministers thereby normal increment in salary and other recurrent expenses were lumped together as increases above the approved vote. Secondly, this was the period when the Technical Bureaux of the STRC in Europe were brought to Africa at very great expense. So that none of the additional expenses that became necessary during the exercise could have been foreseen. The Auditors were shown all the valid documents pertaining to the exercise and they were satisfied that the transactions were all legitimate.

With regard to the fact that Lagos office alone show an excess of US.\$57,000.00 expenditure, I should like to say that the Board has added the sum of US.\$24,000.00 which was spent on redeeming two of the housing properties and US.\$16,000.00 prompted by the circumstances of the transfer of the Bureaux. The other excess as I have explained above are prompted by the embarrassing situation that the estimate of the Organization were not approved for that period and the Secretariat was asked to fall back on the previous years estimate.

I should therefore like to say that there is no deliberate intention to indulge in over-expenditure on the part of the Secretariat.

AUTHORIZATION OF EXPENDITURE

I confirm that both the Executive Secretary and the Assistant Executive Secretary are empowered to authorize expenditure in Lagos. In the bureaux or sub-regional offices the Directors and the Deputy Directors are authorizing officers. The Board pointed up the expenditure of £200 spent on the work of the Hand Book for Plant Inspectors in Africa. Because they did not see either my signature or that of the Assistant Executive Secretary they considered that the expenditure was not properly authorized. It was however explained to them that at the time when the expenditure was incurred, Mr. Caresche the Scientific Secretary of the Phytosanitary Office had legal power to authorize expenditure on transactions within his jurisdiction. The expenditure was therefore properly authorized. None the less, during the discussion of this particular case the Board of Auditors suggested to me that two persons should henceforth be authorizing cheques for payment. This system was immediately introduced even before the Board of Auditors left Lagos Office and this system is now in use.

OVER-PAYMENTS

It is gratifying to note that the Board has confirmed that the over-payment of allowances were not paid out deliberately in the first instance and that they had been refunded long before the Internal Auditor wrote his report.

The Executive Secretariat will appreciate a ruling by the Administrative Secretary-General on the problem of installation allowance. The fact is that installation allowance should properly be related to the cost of living; in lieu of a new rate, I would repeat my appeal that the rate of per diem allowance already approved by the Council of Ministers be the same as the rate of installation allowance particularly in all locations outside Addis Ababa.

The salaries paid both to Mr. Caresche and Mr. Negash in the abnormal circumstances of the transfer of the bureaux were reported in writing to the Administrative Secretary-General before the first payment was made. Since the Administrative Secretary-General did not object to the rates of remuneration demanded, payments were made on the assumption that the Administrative Secretary-General was agreeable to the conditions stipulated by these officers. It is confirmed that no such situation will ever arise again.

DUTY FREE ITEMS

Action has already been taken along the lines of the suggestions of the Board of Auditors and this would be effective from 1st February, 1969.

STORAGE OF PUBLICATIONS

The problem of expenditure on storage of publications is part of the abnormal situation created by the transfer of the Bureaux. When the publications arrived in Lagos they were expected to be shipped on to Cotonou en route Niamey. At the time when the publications arrived at the Lagos wharf from Europe, the Government of Niger had not indicated to the

Administrative Secretary-General the office and storage facilities to be used by the Publications Office in Niamey. We were therefore faced with the abnormal situation of paying about £100 per day at the wharf or removing publications to the first available accommodation in Lagos pending subsequent clearance of packages to Niamey. The first available vacancy was a warehouse of a commercial firm which could have cost about £500 a month. I objected to this in that the expenditure would be unduly high for the Organization as we were not sure of the exact date the publications would be transferred to Niamey. I therefore sought alternative accommodation with the Nigerian Ports Authority, the landlord of our offices. They agreed to give us the accommodation on the assurance that the Nigerian Government would add the areas to the free facilities already given to the Office. Applications were immediately submitted to the Nigerian Government and the position explained to them. Unfortunately, we did not get a reply from the Nigerian Government until early April, 1968 informing us that they were unable to provide the facilities free. I should like to add that when we asked the Nigerian Ports Authority for the accommodation our attitude was that their rate was far cheaper than that of the commercial houses in Lagos. For example, instead of £1,500 paid for storing the publications in the Nigerian Ports Authority building we could have paid £4,000 to a commercial firm. Secondly, if the situation of the Nigerian Government were such that they could accommodate our request for additional free space we could have had the accommodation for nothing from the Nigerian Ports Authority. It was these combination of factors that prompted the storage of the books in the Nigerian Ports Authority Building for nine months. The publications were awaiting clearance to Niamey and was not intended for Lagos. All the accommodation arrangements first made in Lagos were extremely temporary.

There was no accommodation in any of our residential quarters at the material time. This fact was explained carefully to the Board of Auditors.

It soon became clear that the accommodation in Niamey would not be big enough to take all the publications stored temporarily in Lagos. Consequently the packages were broken opened and moved to a residential apartment vacated by a fleeing member of our Secretariat.

PAYMENT IN RESPECT OF INSURANCE STAFF

The Executive Secretariat would appreciate it if the Secretary-General would kindly give permission that monies collected from the under-mentioned officers be refunded to them:-

Mr. A. O. Odelola

Group Personal Accident	£29.15.-	
Group Private Plan	23.13.-	
Group Private Plan (Bimpe)	5.12.6	£59. -. 6
		or US.\$163.27

Mr. Y. A. Oyekanmi

Group Personal Accident	£14.17.6	
Group Private Patients Plan	27. 1.-	£41. -. 6
		or US.\$117.39

Miss A. Obilana

Group Personal Accident	£26. -. 7	
Group Private Patient Plan	8.17. 4	£34.17.11
		or US.\$97.71

Mr. Paul Ohin

Group Personal Accident	£14.17.6	or US.\$41.65
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Mr. Sam O. Aina

Group Personal Accident	£14.17.6	or US.\$41.65
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HOUSING OF STAFF

After the discussion with the Board of Auditors it was considered that all staff occupying ex-CCTA houses should pay in addition to their existing allowance rate being paid as rent, a rate of rent equivalent to what officers in the Nigerian Government of similar grades pay. The compounding of these two rates would in fact be more than commercial rent obtainable from the houses.

COMMISSION ON RENT

Action has been taken on this before the Board of Auditors left Lagos.

SUBMISSION OF FINANCIAL REPORTS

The delay in submitting returns to the Headquarters is regretted. The Board of Auditors themselves saw the abnormal problems of the Lagos Secretariat about the issue of returns. They admitted that the Lagos Office is hopelessly under-staffed in terms of administrative and accounting personnel. It would be appreciated if the Secretary-General would assist in this.



1969-02

Report by the board of external auditors on the accounts of the organization of African unity for the period 1st June, 1967 to 31st May, 1968.

Organization of African Unity

Organization of African Unity

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