



ORGANIZATION OF
AFRICAN UNITY

Secretariat
P. O. Box 3243

منظمة الوحدة الافريقية
السكرتارية
ب. ب. ٣٢٤٣

ORGANISATION DE L'UNITE
AFRICAINNE

Secretariat
B. P. 3243

Addis Ababa * ادیس ابابا

COUNCIL OF MINISTERS
Twentieth Ordinary Session

CM/478/Add.1

Addis Ababa - February 1973.

COMMENTS OF THE GENERAL SECRETARIAT ON THE REPORT OF THE
BOARD OF EXTERNAL AUDITORS ON THE ACCOUNTS OF THE
HEADQUARTERS
OF THE OAU GENERAL SECRETARIAT



The General Secretariat would like to comment, wherever it is considered useful for purposes of clarification, on the findings of the External Auditors during their audit of the Accounts of the OAU Headquarters for the financial year 1971/72. Note has been taken of those comments of the Auditors in respect of which the Secretariat considers it unnecessary to answer.

2. The Secretariat is encouraged to note that once again the Auditors have noted some improvement in the financial management at Headquarters. It is particularly encouraging to note that through the quarterly effort of the Secretariat to get member states to pay their dues and on time, the Organization has, for once after many years, been noted by the Auditors to be getting richer. It is our sincere hope that ends will meet on time, instead of after due time as hitherto.

3. Comments, if any, on the External Auditors' Reports on accounts at Regional and Sub-Regional Offices will be made separately by the Executive Secretaries and the respective Directors in charge of the Finance Departments of these Offices.

4.

Paragraph in Auditors Report	Answer of the General Secretariat
<p style="text-align: center;">Paragraph 13 <u>Petty Cash</u></p>	<p>"I categorically refer the remarks contained in the observation of the Board of Auditors report par.15.</p> <p>(a) There were <u>NO</u> repeat <u>NO</u> erasure used on the cash book as well as <u>NO</u> cancellations.</p> <p>(b) There were no several corrections.</p> <p>(c) All medical bills, paid from petty cash were only reaching the maximum of Eth. \$10.00, according to the advice of the board, on which they say that payments from petty cash should be made upto the maximum of Eth. \$10.00 only.</p>

Referring to D/V.no 1/12 for Eth. \$4.00

This claim was approved by the OAU medical officer.

D/V no 5/12 for Eth. \$6.00

This claim was also approved by the OAU medical officer". - (Answer from Officer concerned).

5.

Paragraph 18

Account Code 200

Travel on initial recruitment

When estimates are made and approve is made for recruitment of staff it is impossible for the Secretariat to know at that stage whether the officer recruited will travel from Nairobi to Addis Ababa or Nouakchot to Addis Ababa. It, therefore, happens that, as in this case, sometimes excess expenditure is inevitable.

Account Code 210

Rent of Official Residence

In December 1971 the US \$ was devalued. The exchange rate for the US \$ in Addis Ababa changed from Eth. \$2.5 to Eth. \$2.3. The result was that we had to find more US \$ to pay for rent in Eth. \$. Hence the excess expenditure .

Account Code 401
Maintenance of Vehicles

The official vehicles were getting very old and cost of repairs were becoming increasingly excessive and unforeseeable in level. Until the new cars were purchased in May 1972 excess expenditure under this sub-head was inevitable. On 24 May, six days before the closing of books, bills came which were of a level as to cause over-expenditure.

Account Code 403
Maintenance of Premises

Over expenditure under this code arose from insufficiency, in number, of offices, which cannot be increased without further costly conversions, and severe cracks in all the four buildings at the Secretariat giving rise to leaks, consequent dampness in parts and occasional inundations during rains.

Account Code 501
Telephone Service

It is very difficult to keep an up to date follow up on expenditure under this account code because bills from the Post Office come only periodically, after services has already been rendered. The volume of telephone usage is entirely unpredictable and so are the charges.

Account Code 502
Postage

There were two Budget Meetings of the Council of Ministers instead of one.

Account Code 601
Bank Charges

This type of expenditure cannot be predicted accurately, as experience has shown. Tele-graphic funds transfers to Regional and Sub-Regional Offices and subventions to other Organizations, such as the Sports Council etc., and Bank charges on conversion from foreign to local currency are unpredictable. The exact amounts are known only after the transactions are completed by the Bank.

Account Code 609

Publication of OAU Review

The Information Section ordered more copies to be printed than were originally budgeted for and presented the Finance Section with a fait accompli it had to honour.

Account Code 707

Transportation Equipment

This relates to purchase of cars. In preparing the estimates the revenue from the trade-in of cars was taken into account as possible addition to money to be used for purchase of new cars. The trade-in quotations were too low, and therefore the Secretariat made more money for the OAU by selling the cars. As is usual, revenue from sale of old cars is not normally used directly to pay for items. Other funds, hence so-called over-expenditure, had to be found.

Account Code 801
Council of Ministers

There were two instead of one Budgetary Session of the Council of Ministers. Arabic was also demanded half way through the financial year.

Account Code 900
Administration Department

This relates to the Adu Commission. The estimate was, by its very nature, provisional. We did not anticipate any delay in travel nor did we know that double trips would be necessary. This problem is likely to occur even in respect of the experts who will do work for the OAU on finance and job evaluation.

Paragraph 22

Home Leave

The Secretariat, as a matter of administrative policy, did not accept that the OAU was worse off by giving cash to the individual to arrange his home leave in direct consultation with Travel Agencies. The Secretariat maintained that its obligation was simply to see to it that the Organization did not pay more than it was expected to. Also there was reluctance to ferret out those who had taken another direction for leave purposes instead of going home. In most cases officers have travelled home for home leave. Cash in lieu of leave entitlements is not an entirely new concept even with a good number of Member States. As a result of the above, it will be noticed that cash in lieu of air tickets continued to be granted right up to 30 July 1972 when the new Administration took over the General Secretariat. In his handing over note, the Assistant Secretary up to that time in charge of Administration and Finance stated, on 30 July 1972, as follows with regard to this matter.

"Section IV, paragraph 3 of the Staff Rules and Regulations says in part "Staff members who are serving outside their home country shall be entitled once in every two years of qualifying service to visit their home country at OAU expense for the purpose of spending in that country a substantial period of annual leave."

I had interpreted these Rules liberally and when a staff member instead of the OAU giving him tickets for the trip, he could, if he requested for cash, and provided he gave convincing reason, be paid in cash equivalent

Cont. Paragraph 22

Home Leave

to the cost of tickets for the trip to his home country, to enable him make his own travel arrangement. The External Auditors and the Advisory Committee expressed displeasure about this liberal interpretation of the Rules and held the view that staff members, or their eligible dependents, when going on leave should always be given tickets for the journey and not cash". "The new Administration may take its own view on this matter".

Paragraph 26

Advance Payment of Salary
Proceeding on Home Leave

The General Secretariat feels that this recommendation should not be accepted. The Accounts Sections in the Regional and Sub-Regional Offices have enough problems without adding further complication by getting them to maintain papers relating to payment of salary to staff on home leave from Headquarters. It is also quite obvious that very few staff spend home leave in the capitals of their countries. Kano is too far away from Lagos, for example. If this proposal was accepted the prospect of losing money en route are real. It is not correct to maintain that paying a staff member two months' salary in advance is a burden to OAU.

8. Paragraph 31
Office Equipment,
Furniture & Fixtures

It is quite obvious that invoices are not supposed to be kept by General Services. They are kept by the Finance Section in order to enable this Section to pay against such invoices. It is humbly suggested that the sentence with regard to invoices being "subsequently produced by the Chief of General Services" was put there in error. The Chief of General Services produced no such invoices. The Chief Finance Officer may have been the person referred to.

9. Paragraph 32
Drinks and Cigarettes

"(i) drinks borrowed were not replaced promptly"

A circular of 5 December 1969, under which drinks and cigarettes to officers entitled to duty free purchases, and therefore who are able to replace items in kind, reads this in relation to promptitude in replacing borrowed drinks - "In any case, all supplies in compliance with this regulations should be replaced within 30 days". The practical problem is as follows: whereas replacement has to take place in 30 days, entitled staff are granted their duty free quota only quarterly. What is more, there has never been any loss to the OAU arising from these arrangements.

Cont. Paragraph 32
Drinks and Cigarettes

"(ii) drinks borrowed were not those returned"

There is no loss to the OAU if, because there happens to be no John Walker (Black Label) at the Duty Free Shop that period, an officer replaces the John Walker with the Dimple Haig, which costs exactly the same amount of money, and consists of the same quantity of whisky.

(iii) No loss is incurred by the OAU if, because an officer fails to replace borrowed items in kind, the Finance Section automatically deducts the equivalent in value from his monthly salary. There is no confusion in records at all, as suggested by the Auditors.

10. Paragraph 34
Issue of Fuel

The memorandum of the Assistant Secretary-General of the 26 July 1965 in which entitlement of petrol was set for OAU cars and staff cars is now the subject of review by the Secretariat. A new situation has arisen which no one envisaged seven years ago. We have now new Mercedes-Benz vehicles which consume only super petrol and the cost of oil and petrol have since gone up considerably. Therefore there is a case for reviewing both the petrol allocation by Ethiopian Government and by the Secretariat in respect of the Secretary-General, the four Assistant Secretaries-General and for service vehicles. Allocation mentioned in the memorandum of 1965 do not at present meet the requirement of those concerned.

The question of an increase in the allocation of petrol coupons by Ethiopian Government is being taken up with the Ministry of Foreign Affairs. When the reaction of the Ethiopian Government is known, there

will be a revision of the 1965 memorandum with a view to increasing the allocation of petrol coupons to the Secretary-General, Assistant Secretaries-General, entitled officers and service vehicles. It would seem, however, that the 1965 memorandum which limited the amount of petrol coupons for the Secretary-General and the Assistants did not take into consideration the obligation of the OAU to these officers which were stipulated in the established conditions of service, namely, the entitlement to free chauffeured car and free fuel. In the light of this, a new memorandum giving a new allocation would be prepared after discussions with the Ethiopian authorities. This will take into consideration the average consumption per week per car of all the new vehicles.

COMMENTS OF THE GENERAL SECRETARIAT ON THE STATE
OF THE ACCOUNTS FOR THE FINANCIAL YEAR

1.6.71 TO 31.5.72

Paragraphs 3 to 5 of the Report of the Board of External Auditors refers.

The General Secretariat is much surprised and 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 that the General Secretariat, in order to produce accurate Balance Sheet showing the true financial position of the Organization, had to wait for financial statements from all the Regional and Sub-Regional Offices. Up to the end of October, the General Secretariat had still not received the statements of Dar-es-Salaam, Lusaka and Conakry Offices. After several telephone calls to Dar-es-Salaam Office, that office claimed to have posted its report on the 26th October, 1972; it may interest the Committee to note that upto now, this report has never found its way to the General Secretariat. On the insistence of the General Secretariat to have another copy, it finally received 2 copies through flight AF 482 on Thursday, 9th November 1972. Those of Conakry Office, never arrived upto now and the Finance Section had to collect figures from the Chief Internal Auditor who audited that office in order to avoid further delay.

In this circumstance, the General Secretariat wishes to state that the above comments are not designed merely to defend its action but are intended to throw some light on the circumstances that caused the delay in closing its books and this action should not have been considered as "gross negligence, bordering on indifference towards the audit", especially after the above facts had been explained to the Board.



1973-02

Comments of the General Secretariat on the report of the Board of External Auditors on the accounts of the Headquarters of the OAU General Secretariat

Organization of African Unity

<https://archives.au.int/handle/123456789/7758>

Downloaded from African Union Common Repository