

August 2006

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联合国  
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Food  
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Organización  
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Unidas  
para la  
Agricultura  
y la  
Alimentación

## COUNCIL

**Hundred and Thirty-first Session**

**Rome, 20 – 25 November 2006**

**JIU/REP/2006/2: Oversight Lacunae in the United Nations System**

1. This JIU Report is accompanied by the comments of the Director-General. Given the subject matter, it is drawn to the attention of the Programme Committee.

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## JIU REPORT 2006/2

### *“Oversight Lacunae in the United Nations System”*

#### *Comments of the Director-General of FAO*

##### **General comments**

2. The general comments below and the comments of the recommendations take account of and draw as necessary on the UN system-wide comments (CEB comments), as provided in document A/60/860/Add.1.
3. A primary purpose of this report, as stated in paragraph 1, is to cover the adequacy of systems and mechanisms for addressing wrong doing. While this is of course an important concern, excessive emphasis on this detracts from a balanced examination of the totality of oversight. For instance, paragraph 4 states that oversight is designed to give assurance to Governing Bodies on key aspects of the work performed. This should include effectiveness in the activities being implemented, but the report does not refer to such essential dimensions as: results, impacts, validity of policy choices, etc. on which both Member Nations and senior management of Secretariats seek information and guidance from evaluation to inform decisions. In effect, evaluation is very little mentioned or analysed and yet two far reaching recommendations are drawn which affect evaluation work and arrangements (1 and 6).
4. It may also be noted that the United Nations General Assembly through its Resolution 60/1 requested the Secretary-General: “to submit an independent external evaluation of the auditing and oversight system if the United Nations, including specialized agencies...” and that this review should take place “within the context of the comprehensive review of governance arrangements”. This review, to be issued soon, would cover much of the same ground as this JIU report and the latter may be largely superseded.
5. Finally, it would seem that the JIU placed too much emphasis on its own “suggested standards”, without a clear description of how these standards were developed or what prior best practice analysis supported them. Uniform standards such as those proposed by the JIU cannot match the diverse range of organizational structures and mandates in the UN system. Therefore, while the wealth of data contained in the annexes is helpful, caution may be warranted in interpreting the statistics without a complete understanding of the different operational models and business practices. For example, the staff counts, by which the JIU determined relative spending levels, does not include consultants and contractors who are hired to augment the staff capacities of oversight bodies or mechanisms.

##### **Comments on recommendations**

<b>Addressee of Recommendation:</b>	Executive Head	<input type="checkbox"/>
	Legislative Body	<input checked="" type="checkbox"/>
	Other ( <i>specify</i> )	<input type="checkbox"/>

##### **RECOMMENDATION 1** (*quote from JIU Report*):

**The legislative bodies of each United Nations system organization should establish an independent external oversight board composed of five to seven members, all of whom shall be elected by Member States to represent the governing bodies’ collective interests. They**

should have prior experience in areas of oversight. In carrying out their functions, they should be assisted by at least one external adviser with recognized expertise in oversight matters to be chosen by them.

Is Recommendation of potential relevance to FAO? Yes  No

Decision and/or Proposed Action: Endorsed   
 Endorsed as modified   
 Rejected

**Explanation and/or Proposed Action:**

6. As this recommendation is addressed to Legislative Bodies, the Secretariat must remain neutral and cannot express any opinion on its merits. It can be noted that FAO has a Finance Committee and a Programme Committee which perform many aspects of the suggested mandate.

7. In the case of evaluation, the formula proposed would break the fruitful link established with the Programme Committee which utilises evaluation results to formulate its guidance to the FAO Council on programme matters. It would also place evaluation (as regards Governing Body structure) within a framework in which the most significant driving force would be adherence to regulations, directives and protocols as distinct from the achievement of results.

8. Furthermore, the somewhat negative feelings expressed on the value of internal audit Committees (paragraph 21) conflicts with Audit Guideline 202 of the Panel of External Auditors' (last updated in 2000) which states that: "The internal audit group should have the leadership and support of an audit committee composed of senior management and suitably qualified persons from outside the entity to provide additional objectivity". FAO's internal Audit Committee is considered very useful.

Include recommendation and action in annual monitoring report: Yes  No

Addressee of Recommendation: Executive Head   
 Legislative Body   
 Other (specify) GA of the UN

**RECOMMENDATION 2** (quote from JIU Report):

The General Assembly should decide that ACABQ, ICSC and JIU should be subject to peer review at least every five years. Modalities for the peer review should be developed by the bodies concerned.

**Is Recommendation of potential relevance to FAO?** Yes  No

**Decision and/or Proposed Action:**

Endorsed	<input checked="" type="checkbox"/>
Endorsed as modified	<input type="checkbox"/>
Rejected	<input type="checkbox"/>

**Explanation and/or Proposed Action:**

9. The sentiments implicit in this recommendation can supported. However, it may be noted that peer reviews do not always ensure independence, and to have the modalities for the peer review developed by the bodies themselves could result in a conflict of interest.

**Include recommendation and action in annual monitoring report:** Yes  No

**Addressee of Recommendation:**

Executive Head	<input type="checkbox"/>
Legislative Body	<input type="checkbox"/>
Other ( <i>specify</i> ) <u>GA of the UN</u>	<input checked="" type="checkbox"/>

**RECOMMENDATION 3** (*quote from JIU Report*):

**a) The General Assembly should decide that:**

- i) The budget proposals for ICSC and JIU should be drawn up by the entities themselves, and incorporated as such into the Secretary-General's budget estimates to be submitted through ACABQ to the General Assembly for review and approval;**
- ii) The budget proposals for ACABQ should be drawn up by the Committee itself, incorporated as such into the Secretary-General's budget estimates to be submitted to the General Assembly for review and approval;**

**b) The legislative bodies should decide that the proposed fees and terms of engagement of the external auditors should be submitted to the respective governing body through the external oversight board of each organization.**

**Is Recommendation of potential relevance to FAO?** Yes  No

**Decision and/or Proposed Action:**

Endorsed	<input type="checkbox"/>
Endorsed as modified	<input checked="" type="checkbox"/>
Rejected	<input type="checkbox"/>

**Explanation and/or Proposed Action:**

10. On point (a), since the ICSC and the JIU provide services to programmes and agencies across the system, the latter should be able to provide inputs to their budget process, especially if

they are being asked to contribute. Therefore, for system wide bodies which are jointly financed, there should be some mechanism for inter-agency consultation on the levels of their budgets.

**Include recommendation and action in annual monitoring report:** Yes  No

**Addressee of Recommendation:**

Executive Head	<input type="checkbox"/>
Legislative Body	<input checked="" type="checkbox"/>
Other ( <i>specify</i> )	<input type="checkbox"/>

**RECOMMENDATION 4** (*quote from JIU Report*):

**The legislative bodies should decide that the members of ACABQ, ICSC and JIU and other similar bodies within the United Nations system be subject to a uniform regime barring them from any appointment, including as a consultant, in the United Nations system organizations for which they have had oversight responsibilities both during their service and within three years of ceasing that service.**

**Is Recommendation of potential relevance to FAO?** Yes  No

**Decision and/or Proposed Action:**

Endorsed	<input checked="" type="checkbox"/>
Endorsed as modified	<input type="checkbox"/>
Rejected	<input type="checkbox"/>

**Explanation and/or Proposed Action:**

11. The principles inherent in this recommendation can be supported.

**Include recommendation and action in annual monitoring report:** Yes  No

**Addressee of Recommendation:**

Executive Head	<input type="checkbox"/>
Legislative Body	<input checked="" type="checkbox"/>
Other ( <i>specify</i> )	<input type="checkbox"/>

**RECOMMENDATION 5** (*quote from JIU Report*):

**The legislative bodies should direct that term limits be established for the external auditors of the United Nations system organizations, and that the staff that have worked as external auditors be barred from taking up executive functions for a period of three years in those organizations for which they have had oversight responsibilities.**

**Is Recommendation of potential relevance to FAO?** Yes  No

<b>Decision and/or Proposed Action:</b>	Endorsed	<input checked="" type="checkbox"/>
	Endorsed as modified	<input type="checkbox"/>
	Rejected	<input type="checkbox"/>

**Explanation and/or Proposed Action:**

12. FAO has already implemented term limits.

**Include recommendation and action in annual monitoring report:** Yes  No

<b>Addressee of Recommendation:</b>	Executive Head	<input checked="" type="checkbox"/>
	Legislative Body	<input type="checkbox"/>
	Other ( <i>specify</i> )	<input type="checkbox"/>

**RECOMMENDATION 6** (*quote from JIU Report*):

**Executive heads should review the current structure of internal oversight in their respective organizations and ensure that:**

a) **Audit, inspection, investigation and evaluation functions are consolidated in a single unit under the head of internal oversight reporting directly to the executive head;**

b) **Any functions other than the four oversight functions should be positioned elsewhere in the secretariats and not in the internal oversight unit.**

**Is Recommendation of potential relevance to FAO?** Yes  No

<b>Decision and/or Proposed Action:</b>	Endorsed	<input type="checkbox"/>
	Endorsed as modified	<input type="checkbox"/>
	Rejected	<input checked="" type="checkbox"/>

**Explanation and/or Proposed Action:**

13. Recommendation 6 a) purports that evaluation should be merged with other oversight functions (which in FAO fall within the remit of the Office of the Inspector-General). This was specifically addressed by the competent Bodies in 2003 and not accepted. In fact, it may be noted that there is perhaps too much emotive language throughout the report as to “fragmentation of the oversight function”. Evaluation, as noted above, is primarily concerned with the relevance to needs of what the organization undertakes; the extent to which expectations are met; and to which areas of focus coincide with the organization’s comparative strengths; and the potential for impacts. It examines technical and development work from a professional technical perspective, as well as from the point of view of efficiency. Evaluation is also an open process where confidentiality of individual sources is preserved, but the emphasis is on transparency and

generating internal learning as well as accountability for results. Eventual recommendations are non-binding and are openly discussed and contribute as an input to decision making, rather than a necessity for compliance. This means that relations between evaluators and the programmes being evaluated are very different from those with auditors or investigators.

**Include recommendation and action in annual monitoring report:** Yes  No

**Addressee of Recommendation:**

Executive Head	<input checked="" type="checkbox"/>
Legislative Body	<input checked="" type="checkbox"/>
Other ( <i>specify</i> )	<input type="checkbox"/>

**RECOMMENDATION 7** (*quote from JIU Report*):

**The legislative bodies of each United Nations system organization should direct their respective executive heads to:**

- a) **Review the capacity of the organization to conduct investigations and put forward proposals for the establishment of a minimum in-house capacity for investigations;**
- b) **Ensure that a minimum investigations capacity comprises qualified and experienced professional investigators who would not be subject to rotation within that organization;**
- c) **Ensure that investigations entities are authorized to initiate investigations without interference from senior management in the respective organizations;**
- d) **Ensure that independent reporting procedures for investigations are established (see recommendation 11 below).**

**Is Recommendation of potential relevance to FAO?** Yes  No

**Decision and/or Proposed Action:**

Endorsed	<input checked="" type="checkbox"/>
Endorsed as modified	<input type="checkbox"/>
Rejected	<input type="checkbox"/>

**Explanation and/or Proposed Action:**

14. The various points can be endorsed.

**Include recommendation and action in annual monitoring report:** Yes  No

<b>Addressee of Recommendation:</b>	Executive Head	<input checked="" type="checkbox"/>
	Legislative Body	<input checked="" type="checkbox"/>
	Other ( <i>specify</i> )	<input type="checkbox"/>

**RECOMMENDATION 8** (*quote from JIU Report*):

**The legislative bodies of each United Nations system organization should direct their respective executive heads to establish similar policies and procedures to those recently established by the United Nations to provide protection against retaliation for reporting misconduct, and these should be widely publicized.**

**Is Recommendation of potential relevance to FAO?** Yes  No

<b>Decision and/or Proposed Action:</b>	Endorsed	<input checked="" type="checkbox"/>
	Endorsed as modified	<input type="checkbox"/>
	Rejected	<input type="checkbox"/>

**Explanation and/or Proposed Action:**

15. The Charter for the Office of the Inspector-General or FAO stipulates that this Office may receive complaints or information concerning the possible existence of fraud, waste, abuse of authority or other irregular activities and practices. "Confidentiality shall be respected at all times and no reprisals shall be taken against staff members providing such information, unless it is determined that this was wilfully provided with the knowledge that it was false or with the intent to misinform". This was reiterated in other documents, including Administrative Circular No 2004/19 "Policy on fraud and improper use of the Organization's resources". The procedures in FAO are less detailed than those recently adopted at the United Nations, while they have operated well and proved effective. Therefore, it is not suggested that there is a need to reconsider them at the present stage, while the Office of the Inspector General will be reviewing the matter for possible improvements.

**Include recommendation and action in annual monitoring report:** Yes  No

<b>Addressee of Recommendation:</b>	Executive Head	<input type="checkbox"/>
	Legislative Body	<input checked="" type="checkbox"/>
	Other ( <i>specify</i> )	<input type="checkbox"/>

**RECOMMENDATION 9** (*quote from JIU Report*):

**The legislative bodies of each organization should decide that the proposed budget of the internal oversight entity should be drawn up by the entity itself and submitted to the external oversight board, together with any comments of the executive head, for review and transmittal to the appropriate governing body.**



**Is Recommendation of potential relevance to FAO?** Yes  No

**Decision and/or Proposed Action:**

Endorsed	<input type="checkbox"/>
Endorsed as modified	<input type="checkbox"/>
Rejected	<input type="checkbox"/>

**Explanation and/or Proposed Action:**

16. As this is linked to recommendation 1, no position is expressed by the Secretariat.

**Include recommendation and action in annual monitoring report:** Yes  No

**Addressee of Recommendation:**

Executive Head	<input type="checkbox"/>
Legislative Body	<input checked="" type="checkbox"/>
Other ( <i>specify</i> )	<input type="checkbox"/>

**RECOMMENDATION 10** (*quote from JIU Report*):

**With respect to the appointment of the head of internal oversight, the legislative bodies in each organization should decide that:**

- a) **Qualified candidates should be identified on the basis of a vacancy announcement that should be widely publicized;**
- b) **Appointment should be subject to consultation and prior consent of the governing body;**
- c) **Termination should be for just cause, and should be subject to the review and consent of the governing body;**
- d) **A non-renewable tenure of five to seven years should be established, with no expectation of any further employment within the same United Nations organization at the end of the term.**

**Is Recommendation of potential relevance to FAO?** Yes  No

**Decision and/or Proposed Action:**

Endorsed	<input type="checkbox"/>
Endorsed as modified	<input checked="" type="checkbox"/>
Rejected	<input type="checkbox"/>

**Explanation and/or Proposed Action:**

17. Recommendation a) is already applied in FAO.

18. Recommendations b) and c) require close examination, consistent with the CEB comments. Firstly, they seem to confuse two concepts, i.e. that of prior consultation and that of prior consent. The meaning of the expression “in consultation with” or “after consultation with” is the process by which the views of the parties consulted are sought or ascertained. The consulting party is to give due consideration to the views expressed, but retains responsibility for the decision. Consultation is, therefore, clearly distinct from agreement, concurrence and consent. Second, a situation where appointment and termination of the appointment of the head of internal oversight would be made with the consent of the “governing body” would seem objectionable in a number of respects. As pointed out in the CEB comments, the requirement of governing body’s approval would involve the risk of politicizing the appointment decision, thereby jeopardizing the independence and objectivity of the appointee. This would produce consequences which would seem to be exactly opposite to those being sought. It would also exacerbate a trend towards increased confusion between internal and external oversight functions and their reporting lines. It is to be noted that an inter-governmental instance is already responsible for the appointment of the External Auditor. Third, in the case of FAO, as is the case in a number of other organizations, the appointment and eventual termination of the head of internal oversight are made after consultation with the Finance Committee (a standing committee of the Council of FAO). The appointment of the current head of internal oversight was made in accordance with this procedure. However, reservations were expressed by Members as to the principle that the head of internal oversight should be appointed after consultation with the Finance Committee, in view of the risk of confusing internal and external oversight functions and the negative consequences arising therefrom.

19. In line with the CEB comments, it is considered that recommendation d) should be examined further.

**Include recommendation and action in annual monitoring report:** Yes  No

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**Addressee of Recommendation:**

Executive Head	<input checked="" type="checkbox"/>
Legislative Body	<input checked="" type="checkbox"/>
Other ( <i>specify</i> )	<input type="checkbox"/>

**RECOMMENDATION 11** (*quote from JIU Report*):

**The legislative bodies in each organization should direct their respective executive heads to ensure that the following minimum standards are in place for reporting on internal oversight:**

- a) **Internal oversight reports to be submitted to the executive head;**
- b) **An annual internal oversight summary report to be submitted independently to the oversight board for its review, with the comments of the executive head submitted separately;**
- c) **Individual internal audit, inspection and evaluation reports to be provided to the oversight board, on request;**
- d) **Individual investigation reports to be provided to the oversight board, on request, with due safeguards for confidentiality.**

**Is Recommendation of potential relevance to FAO?** Yes  No

**Decision and/or Proposed Action:**

Endorsed	<input checked="" type="checkbox"/>
Endorsed as modified	<input type="checkbox"/>
Rejected	<input type="checkbox"/>

**Explanation and/or Proposed Action:**

20. Part (a) of this recommendation is already a fact in FAO. The other elements are also already in place to a great extent within FAO's current governance structure (cf. references above to the roles played by the Programme and Finance Committees and the Audit Committee). They would merit further exploration, should the oversight governance model of FAO be modified.

**Include recommendation and action in annual monitoring report:** Yes  No

**Addressee of Recommendation:**

Executive Head	<input checked="" type="checkbox"/>
Legislative Body	<input checked="" type="checkbox"/>
Other ( <i>specify</i> )	<input type="checkbox"/>

**RECOMMENDATION 12** (*quote from JIU Report*):

**With respect to the follow-up of oversight recommendations, the legislative bodies in each organization should direct their respective executive heads to ensure that:**

- a) **A database is created to monitor the follow-up of all oversight recommendations, and pending recommendations are monitored and followed up on a timely basis;**
- b) **The annual internal oversight summary report to the oversight board contains a summary of oversight recommendations not yet fully implemented.**

**Is Recommendation of potential relevance to FAO?** Yes  No

**Decision and/or Proposed Action:**

Endorsed	<input checked="" type="checkbox"/>
Endorsed as modified	<input type="checkbox"/>
Rejected	<input type="checkbox"/>

**Explanation and/or Proposed Action:**

21. This has already been in place in FAO for some time, within the existing oversight governance structure.

**Include recommendation and action in annual monitoring report:** Yes  No

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**Addressee of Recommendation:**

Executive Head	<input checked="" type="checkbox"/>
Legislative Body	<input checked="" type="checkbox"/>
Other ( <i>specify</i> )	<input type="checkbox"/>

**RECOMMENDATION 13** (*quote from JIU Report*):

**The legislative bodies in each organization should direct their respective executive heads to ensure independent quality assessment, for example through peer review, of the internal oversight entity, at least once every five years.**

**Is Recommendation of potential relevance to FAO?** Yes  No

**Decision and/or Proposed Action:**

Endorsed	<input checked="" type="checkbox"/>
Endorsed as modified	<input type="checkbox"/>
Rejected	<input type="checkbox"/>

**Explanation and/or Proposed Action:**

22. This seems to be based on the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors. FAO, having embraced these standards some years ago, would agree, while noting that adequate budgetary provisions would be necessary to finance such quality assessments.

**Include recommendation and action in annual monitoring report:** Yes  No

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**Addressee of Recommendation:**

Executive Head	<input type="checkbox"/>
Legislative Body	<input checked="" type="checkbox"/>
Other ( <i>specify</i> )	<input type="checkbox"/>

**RECOMMENDATION 14** (*quote from JIU Report*):

**The legislative bodies in each organization should adopt the following standards in respect of internal oversight:**

- a) For those organizations that manage biennial resources of at least US\$ 250 million, an internal oversight unit is justified;
- b) For those organizations that manage biennial resources of less than US\$ 250 million, internal oversight services should be in-sourced to any other organization in the United Nations system that has the capacity to respond.

Is Recommendation of potential relevance to FAO? Yes  No

Decision and/or Proposed Action: Endorsed   
 Endorsed as modified   
 Rejected

**Explanation and/or Proposed Action:**

23. Endorsed, as FAO falls under “category” a).

Include recommendation and action in annual monitoring report: Yes  No

Addressee of Recommendation: Executive Head   
 Legislative Body   
 Other (*specify*)

**RECOMMENDATION 15** (*quote from JIU Report*):

The legislative bodies in each organization should direct their respective executive heads to put forward proposals for the:

- a) Establishment of an ethics function with clear terms of reference which should be publicized through the organization’s website and other media;
- b) Establishment of a post of ethics officer at the D-1/P-5 level, as appropriate, within the office of the executive head;
- c) Mandatory integrity and ethics training for all staff, particularly newly recruited staff.

Is Recommendation of potential relevance to FAO? Yes  No

Decision and/or Proposed Action: Endorsed   
 Endorsed as modified   
 Rejected

**Explanation and/or Proposed Action:**

24. This can be agreed in principle, while it would need to be adapted to Organization-specific contexts.

**Addressee of Recommendation:**

Executive Head	<input checked="" type="checkbox"/>
Legislative Body	<input checked="" type="checkbox"/>
Other ( <i>specify</i> )	<input type="checkbox"/>

**Include recommendation and action in annual monitoring report:** Yes  No

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**RECOMMENDATION 16** (*quote from JIU Report*):

The legislative bodies in each organization should direct their respective executive heads to put forward proposals for the:

1. Establishment of confidential financial disclosure requirements for all elected officials and all staff at the D-1 level and above, as well as those staff mentioned in paragraph 50 above;
2. Annual filing of the financial disclosure statements to the ethics office(r) for review.

**Is Recommendation of potential relevance to FAO?** Yes  No

**Decision and/or Proposed Action:**

Endorsed	<input checked="" type="checkbox"/>
Endorsed as modified	<input type="checkbox"/>
Rejected	<input type="checkbox"/>

**Explanation and/or Proposed Action:**

25. Also endorsed in principle, bearing in mind Organization-specific contexts.

**Include recommendation and action in annual monitoring report:** Yes  No

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**Addressee of Recommendation:**

Executive Head	<input checked="" type="checkbox"/>
Legislative Body	<input checked="" type="checkbox"/>
Other ( <i>specify</i> )	<input type="checkbox"/>

**RECOMMENDATION 17** (*quote from JIU Report*):

The legislative bodies of each United Nations system organization should direct their respective oversight boards to establish an effective mechanism for coordination and cooperation among the external and internal oversight bodies on a system-wide basis.

**Is Recommendation of potential relevance to FAO?** Yes  No

**Decision and/or Proposed Action:**

Endorsed	<input checked="" type="checkbox"/>
Endorsed as modified	<input type="checkbox"/>
Rejected	<input type="checkbox"/>

**Explanation and/or Proposed Action:**

26. Agreed in principle, subject to the oversight governance structure decided in each Organization.

**Include recommendation and action in annual monitoring report:** Yes  No



## General Assembly

Distr.: General  
25 May 2006

Original: English

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### **Sixtieth session**

Agenda items 46, 118, 120, 122, 124, 128, 129, 130 and 136

### **Integrated and coordinated implementation of and follow-up to the outcomes of the major United Nations conferences and summits in the economic, social and related fields**

**United Nations reform: measures and proposals**

**Follow-up to the outcome of the Millennium Summit**

**Review of the efficiency of the administrative and financial functioning of the United Nations**

**Programme budget for the biennium 2006-2007**

**Scale of assessments for the apportionment of the expenses of the United Nations**

**Human resources management**

**Joint Inspection Unit**

**Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations**

## **Oversight lacunae in the United Nations system**

### **Note by the Secretary-General**

The Secretary-General has the honour to transmit, for the consideration of the General Assembly, his comments and those of the United Nations System Chief Executives Board for Coordination on the report of the Joint Inspection Unit entitled "Oversight lacunae in the United Nations system" (JIU/REP/2006/2).





*Summary*

The report of the Joint Inspection Unit (JIU), entitled “Oversight lacunae in the United Nations system” (JIU/REP/2006/2), examines the oversight structures in place throughout the system, and the coordinating mechanisms that exist between them. While concluding that no major deficiencies exist in the oversight arrangements, the report notes that there remain a number of important issues that need to be addressed and directs its recommendations principally towards strengthening the existing mechanisms.

Members of the United Nations System Chief Executives Board for Coordination (CEB) welcome the detailed nature of the report, which they regard as a valuable contribution to the ongoing discussions on this important issue. They also note that the results of the independent external evaluation of the audit and oversight system within the United Nations commissioned by the United Nations Secretary-General at the request of the General Assembly, which are bound to have implications for the JIU recommendations, have still to be reported.

## I. Introduction

1. The Joint Inspection Unit (JIU) report entitled “Oversight lacunae in the United Nations system” explores the timely issue of the roles and practices of oversight structures in use throughout the United Nations system, as well as their coordination and cooperation mechanisms. Through its study, JIU seeks to assess “the capacity of existing oversight mechanisms to deal with major risks that may arise in the United Nations system”. CEB member organizations note that the report comes at a time when the system is taking stock of its practices and activities in the area of oversight, and thus contributes to this overall process. They also note that as a result of the 2005 World Summit, the General Assembly, in resolution 60/1, requested the Secretary-General to submit an independent external evaluation of the auditing and oversight system of the United Nations, including specialized agencies, and that that evaluation should take place within the context of the comprehensive review of the governance arrangements. The external evaluation is expected to be completed in June 2006 and covers much of the same territory as the JIU report. CEB organizations believe that the JIU report should thus be considered in conjunction with the independent study.

## II. General comments

2. Organizations noted that JIU placed too much emphasis on its own “suggested standards”, without a clear description of how these standards were developed or what prior best practice analysis supports them. They also expressed uncertainty as to how a uniform standard such as proposed by JIU would function in the United Nations system, with its diverse range of organizational structures and mandates. In their view, the report could have benefited from a discussion of how the basic concepts of risk, controls and governance that underpin current professional standards for oversight work might apply to the United Nations system. Organizations also note that the report did not acknowledge the Institute of Internal Auditors (IIA), whose standards the system adopted in 2002 and are more likely to be accepted than any JIU-suggested standards.

3. In addition, all organizations welcome the extensive information contained in the annexes to the report. They acknowledge that such a comprehensive survey of the oversight mechanisms in use throughout the system will benefit the current system-wide discussions on this topic. However, they caution against interpreting the statistics presented in the annexes without a complete understanding of the different operational models and business practices within the United Nations system. For example, for some organizations the staff count, by which JIU determined relative spending levels, did not include consultants and contractors who are hired to augment the staff capacities of oversight bodies and would therefore skew the results.

## III. Specific comments on recommendations

**Recommendation 1: The legislative bodies of each United Nations system organization should establish an independent external oversight board composed of five to seven members, all of whom shall be elected by Member**

**States to represent the governing bodies' collective interests. They should have prior experience in areas of oversight. In carrying out their functions, they should be assisted by at least one external adviser with recognized expertise in oversight matters to be chosen by them.**

4. Several CEB members support this recommendation; some have already established such oversight boards or are in the process of doing so. Others, however, have reservations regarding the specifics of the mechanisms outlined in the report. For example, one agency expresses unease about the JIU proposal that the members should be "elected by Member States to represent the governing bodies' collective interests" and points out that, while governing bodies should approve the membership of such boards and ensure that they have appropriate terms of reference, the boards should act independently of the governing bodies themselves in order to discharge their role with full objectivity. Another agency points out that, in the private sector, external specialists serving on these boards generally expect compensation, and it might be unreasonable to expect them to perform that function on a pro bono basis. In addition, some agencies have pointed out that the United Nations funds, programmes and specialized agencies have differing governing structures, which will need to be taken into account when considering these recommendations, and that establishing such a board could require amendments to an organization's financial rules and regulations, as well as be subject to approval by governing bodies, complete with resource implications. Organizations strongly concur with the point in the recommendation regarding the need for them to be composed entirely of individuals experienced and knowledgeable in oversight functions and with the relevant business experience in managing risk.

**Recommendation 2: The General Assembly should decide that the ACABQ, ICSC and JIU should be subject to peer review at least every five years. Modalities for the peer review should be developed by the bodies concerned.**

5. Organizations of the system, while generally supporting the sentiment implicit in the recommendation, expressed reservations regarding some of the details. They felt that peer reviews do not always ensure independence, and that consideration should be given to at least a periodic review by external bodies (such as the United Nations Board of Auditors). Agencies also pointed out that to have the modalities for the peer review developed by the bodies themselves would result in a conflict of interest.

**Recommendation 3:**

**(a) The General Assembly should decide that:**

**(i) The budget proposals for ICSC and JIU should be drawn up by the entities themselves, and incorporated as such into the Secretary-General's budget estimates to be submitted through ACABQ to the General Assembly for review and approval;**

**(ii) The budget proposals for ACABQ should be drawn up by the Committee itself, and incorporated as such into the Secretary-General's budget estimates to be submitted to the General Assembly for review and approval;**

**(b) The legislative bodies should decide that the proposed fees and terms of engagement of the external auditors should be submitted to the respective governing body through the external oversight board of each organization.**

6. CEB organizations have not commented extensively on this recommendation, but on point (a) some have noted that since ICSC and JIU provided services to agencies across the system, these agencies should be able to provide input into the ICSC and JIU budget process, especially if the agencies are being asked to contribute. Therefore, for organizations that contribute financially to system-wide oversight bodies there should be some mechanism for inter-agency consultation on the levels of their budgets. Some agencies feel that if ICSC, JIU and ACABQ draw up their own budget, there should be an explicit and effective means to ensure that these entities do not exceed a specific limit, and that cost control and other management measures apply.

**Recommendation 4: The legislative bodies should decide that the members of ACABQ, ICSC and JIU and other similar bodies within the United Nations system be subject to a uniform regime barring them from any appointment, including as a consultant, in the United Nations system organizations for which they have had oversight responsibilities both during their service and within three years of ceasing that service.**

7. CEB organizations generally agree with this recommendation.

**Recommendation 5: The legislative bodies should direct that term limits be established for the external auditors of the United Nations system organizations, and that the staff that have worked as external auditors be barred from taking up executive functions for a period of three years in those organizations for which they have had oversight responsibilities.**

8. Organizations of the system agree with the need for some form of term limits, although they suggest that the six-year non-renewable term referred to in paragraph 28 of the report might not serve the interests of the system. They feel that it is too short a period for an outsider to be effective, while it can be too long if the appointment does not meet the needs of the organization. One suggestion that would address this issue is for a renewable four-year term, which would allow for the necessary review of performance. Organizations note that most professional audit institutions have ethical standards restricting staff from accepting appointments with clients; and that the restriction normally depends upon the level and responsibilities of the audit staff and is more restrictive at the senior level. Therefore, organizations support restrictions in line with best practice.

**Recommendation 6: Executive heads should review the current structure of internal oversight in their respective organizations and ensure that:**

**(a) Audit, inspection, investigation and evaluation functions are consolidated in a single unit under the head of internal oversight reporting directly to the executive head;**

**(b) Any functions other than the four oversight functions should be positioned elsewhere in the secretariats and not in the internal oversight unit.**

9. CEB organizations generally agree with the idea of merging the audit, investigation and inspection functions, but some have reservations about including the evaluation function within the same unit. They feel that the relationship between

evaluators and the programmes being evaluated and the approach taken are very different from those between auditors/investigators and the activities, projects or programmes being audited and/or investigated, and therefore that these two types of oversight activities (evaluation and audit/inspection/investigation) serve different needs and require very different expertise. Other organizations combine all functions and consider this to work well, and point to the cost and coordination advantages that combining these functions within a single unit can bring. These organizations feel that combining these units have increased their efficiency, effectiveness and credibility. Some organizations point out that where these functions are combined, the leadership of the combined unit should concentrate on management and coordination between the two classes of functions, and ensure that resources remain balanced, and not move away from evaluation, as has occurred in certain cases.

10. The text of the report (para. 34) expands on part (b) of the recommendation and refers to whether or not “management consulting services” should reside within the unit responsible for oversight functions. While some organizations of the system agree with the recommendation, others feel strongly that the oversight bodies can offer significant “value added” in supporting management by undertaking consulting assignments which seek to improve an organization’s governance, risk management and control processes, and therefore should be allowed to do so. They point out that it is up to management to accept or reject such advice as appropriate. Those organizations that have this function within their internal audit and oversight office describe the experience as very positive and by no means impairing the oversight office’s independence; instead, they have discovered that considerable added value is achieved by involving staff members from these different but related disciplines.

**Recommendation 7: The legislative bodies of each United Nations system organization should direct their respective executive heads:**

**(a) To review the capacity of the organization to conduct investigations and put forward proposals for the establishment of a minimum in-house capacity for investigations;**

**(b) To ensure that a minimum investigations capacity comprises qualified and experienced professional investigators who would not be subject to rotation within that organization;**

**(c) To ensure that investigations entities are authorized to initiate investigations without interference from senior management in the respective organizations;**

**(d) To ensure that independent reporting procedures for investigations are established (see recommendation 11 below).**

11. CEB members agree with most of the points contained within recommendation 7, while pointing out that consideration should be given to the size and mandate of any given organization and that in many cases organizations have already begun to strengthen their investigative capacities. Most notable in this regard are recent actions taken by the General Assembly to enhance the capacity of the Office of Internal Oversight Services of the United Nations. This includes reinforcing the independent nature of the Office, thus allowing it to exercise exclusive independent authority to investigate the most serious cases involving high-risk and complex

matters. Organizations note that the issue of rotation referred to in this recommendation must be further explored, since non-rotation of investigators carries with it other risks relating to stress and other factors. Furthermore, some organizations indicate the need to reflect the fact that certain investigations can and should be outsourced, for example when an increase occurs in the workload or when a specific skill, such as a language skill, is required. In addition, while not specified in the recommendation, it is stated in the text of the report (para. 36) that for those agencies not meeting the minimum number of staff to require an inspector, "JIU plans to provide this service". Some agencies object to this, as they believe it exceeds the mandate of JIU and could result in a conflict of interest for JIU as the author of the report.

**Recommendation 8: The legislative bodies of each United Nations system organization should direct their respective executive heads to establish similar policies and procedures to those recently established by the United Nations to provide protection against retaliation for reporting misconduct, and they should be widely publicized.**

12. CEB organizations agree with this recommendation and note the importance of creating and enforcing such policies and procedures.

**Recommendation 9: The legislative bodies of each organization should decide that the proposed budget of the internal oversight entity should be drawn up by the entity itself and submitted to the external oversight board, together with any comments of the executive head, for review and transmittal to the appropriate governing body.**

13. While generally accepting this recommendation, organizations of the United Nations system note that the report does not make a clear distinction between the review of the oversight unit's budget proposals and the control of the budget's implementation.

**Recommendation 10: With respect to the appointment of the head of internal oversight, the legislative bodies in each organization should decide that:**

(a) **Qualified candidates should be identified on the basis of a vacancy announcement that should be widely publicized;**

(b) **Appointment should be subject to consultation and prior consent of the governing body;**

(c) **Termination should be for just cause, and should be subject to the review and consent of the governing body;**

(d) **A non-renewable tenure of five to seven years should be established, with no expectation of any further employment within the same United Nations organization at the end of the term.**

14. CEB organizations generally agree with the recommendation, with some reservations about points (b) and (d). Regarding point (b), most organizations express concern that associating the appointment and termination of a senior staff member, especially for an oversight position, with the governing body's approval runs the risk of politicizing appointment decisions and thereby jeopardizing the independence and objectivity of the appointee. On point (d), organizations point out that there can be a range of human resources-related issues concerning term limits,

especially if reassignment elsewhere in the organization is forbidden. Therefore, they believe that additional consideration needs to be given to what happens to the head of internal oversight after the end of his/her term.

**Recommendation 11: The legislative bodies in each organization should direct their respective executive heads to ensure that the following minimum standards are in place for reporting on internal oversight:**

- (a) **Internal oversight reports to be submitted to the executive head;**
- (b) **An annual internal oversight summary report to be submitted independently to the oversight board for its review, with the comments of the executive head submitted separately;**
- (c) **Individual internal audit, inspection and evaluation reports to be provided to the oversight board, on request;**
- (d) **Individual investigation reports to be provided to the oversight board, on request, with due safeguards for confidentiality.**

15. Organizations of the United Nations system welcome recommendation 11, with the exception of point (b), which some believe would impose too rigid a structure for the presentation of summary reports. In particular, some organizations would prefer the annual evaluation and audit reports to be presented separately and feel the JIU report does not put forward a convincing case for combining them. However, some organizations feel that these reporting matters should not be considered by legislative bodies, but as part of the internal oversight standards established by the internal audit policy, and point to already-established IIA performance standards as examples.

**Recommendation 12: With respect to the follow-up of oversight recommendations, the legislative bodies in each organization should direct their respective executive heads to ensure that:**

- (a) **A database is created to monitor the follow-up to all oversight recommendations, and pending recommendations are monitored and followed up on a timely basis;**
- (b) **The annual internal oversight summary report to the oversight board contains a summary of oversight recommendations not yet fully implemented.**

16. CEB organizations either take note of or accept the points in recommendation 12, and point out that in many organizations mechanisms for follow-up already exist. Furthermore, some organizations note that it is the responsibility of management to implement recommendations and introduce monitoring mechanisms.

**Recommendation 13: The legislative bodies in each organization should direct their respective executive heads to ensure independent quality assessment, for example through peer review, of the internal oversight entity, at least once every five years.**

17. Organizations of the United Nations system accept the recommendation, but some also strongly object to the implication that such reviews are not being performed now. They note that the JIU report fails to recognize that under the IIA standards, to which all United Nations entities subscribe, all internal audit units

must be reviewed every five years. Furthermore, they note that similar modalities are under review for evaluation activities.

**Recommendation 14: The legislative bodies in each organization should adopt the following standards in respect of internal oversight:**

**(a) For those organizations that manage biennial resources of at least US\$ 250 million, an internal oversight unit is justified;**

**(b) For those organizations that manage biennial resources of less than US\$ 250 million, internal oversight services should be in-sourced to any other organization in the United Nations system that has the capacity to respond.**

18. The organizations of the system generally agree with recommendation 14, although they are also of the view that the analysis underlying the recommendation is simplistic and fails to recognize adequately the many factors that need to be taken into account, such as the nature of the organization's operations or whether the organization has a significant field presence. For these reasons, they stress that it can be very difficult to reach conclusions based on the tables presented in the annexes.

**Recommendation 15: The legislative bodies in each organization should direct their respective executive heads to put forward proposals for:**

**(a) The establishment of an ethics function with clear terms of reference which should be publicized through the organization's website and other media;**

**(b) The establishment of a post of ethics officer at the D-1/P-5 level, as appropriate, within the office of the executive head;**

**(c) Mandatory integrity and ethics training for all staff, particularly newly recruited staff.**

19. Organizations of the system support all the points in the recommendation and note that many organizations already have or are in the process of establishing ethics offices or ethics officer posts, while others are studying the issue carefully. Some organizations point out that a full-fledged ethics office may not be the preferred option, especially given scarce resources at smaller organizations, and that JIU should have considered alternative solutions for these cases.

**Recommendation 16: The legislative bodies in each organization should direct their respective executive heads to put forward proposals for:**

**(a) The establishment of confidential financial disclosure requirements for all elected officials and all staff at the D-1 level and above, as well as those staff mentioned in paragraph 50 above;**

**(b) The annual filing of the financial disclosure statements to the ethics office(r) for review.**

20. Organizations of the system accept the recommendation, while noting that many have already implemented similar policies and practices, or are in the process of doing so.

**Recommendation 17: The legislative bodies of each United Nations system organization should direct their respective oversight boards to establish an**



**effective mechanism for coordination and cooperation among the external and internal oversight bodies on a system-wide basis.**

21. Organizations of the system agree with the recommendation. However, they also point out that JIU could have expanded on the effectiveness of existing networks within the oversight community, and that a review of these networks would have been helpful.

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**OVERSIGHT LACUNAE  
IN THE UNITED NATIONS SYSTEM**

*Prepared by the*

**Joint Inspection Unit**

**Geneva 2006**



**United Nations**



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## ABBREVIATIONS

<b>ACABQ</b>	Advisory Committee on Administrative and Budgetary Questions
<b>ASG</b>	Assistant Secretary-General
<b>BOA</b>	United Nations Board of Auditors
<b>CPC</b>	Committee for Programme and Coordination
<b>DED</b>	Deputy Executive Director
<b>DOS</b>	Division for Oversight Services (UNFPA)
<b>EAO</b>	Office for Programme Evaluation, Audit and Management Review (ICAO)
<b>EO</b>	Evaluation Office
<b>FAO</b>	Food and Agriculture Organization of the United Nations
<b>IAEA</b>	International Atomic Energy Agency
<b>IAIS</b>	Internal Audit and Investigation Service (WMO)
<b>IAO</b>	Office of Internal Audit and Oversight (ILO)
<b>IAOD</b>	Internal Audit and Oversight Division (WIPO)
<b>ICAO</b>	International Civil Aviation Organization
<b>ICSC</b>	International Civil Service Commission
<b>IGO</b>	Inspector-General's Office (UNHCR)
<b>IIA</b>	Institute of Internal Auditors
<b>ILO</b>	International Labour Organization
<b>IMO</b>	International Maritime Organization
<b>IOS</b>	Internal Oversight Service
<b>ITC</b>	International Trade Centre
<b>ITU</b>	International Telecommunication Union
<b>JIU</b>	Joint Inspection Unit
<b>MSA &amp; IOS</b>	Member State Audit and Internal Oversight Section (IMO)
<b>OAPR</b>	Office for Audit and Performance Review (UNDP)
<b>OCG</b>	Office of the Comptroller General (UNIDO)
<b>OIA</b>	Office of Internal Audit
<b>OIG</b>	Office of the Inspector-General (FAO)
<b>OIOS</b>	Office of Internal Oversight Services
<b>RBM</b>	results-based management
<b>RIAS</b>	Annual meeting of the Representatives of Internal Audit Services of United Nations organizations and multilateral financial institutions
<b>UNDP</b>	United Nations Development Programme
<b>UNEP</b>	United Nations Environment Programme
<b>UNESCO</b>	United Nations Educational, Scientific and Cultural Organization
<b>UNFPA</b>	United Nations Population Fund
<b>UN-Habitat</b>	United Nations Human Settlements Programme
<b>UNHCR</b>	Office of the United Nations High Commissioner for Refugees
<b>UNICEF</b>	United Nations Children's Fund
<b>UNIDO</b>	United Nations Industrial Development Organization
<b>UNITAR</b>	United Nations Institute for Training and Research
<b>UNODC</b>	United Nations Office on Drugs and Crime
<b>UNOPS</b>	United Nations Office for Project Services
<b>UNRWA</b>	United Nations Relief and Works Agency for Palestine Refugees in the Near East
<b>UNU</b>	United Nations University
<b>UNWTO</b>	World Tourism Organization
<b>UPU</b>	Universal Postal Union
<b>USG</b>	Under-Secretary-General
<b>WFP</b>	World Food Programme
<b>WHO</b>	World Health Organization
<b>WIPO</b>	World Intellectual Property Organization
<b>WMO</b>	World Meteorological Organization

## Introduction

1. In January 2005, the Joint Inspection Unit (JIU) included a report on oversight lacunae in the United Nations system in its work programme for that year.<sup>1</sup> A primary purpose was to establish whether internal mechanisms were in place to review allegations of wrongdoing against officials from the highest echelons of the organizations, to assess the adequacy of such mechanisms that did exist, and to determine where the final responsibility for the outcome of such cases should lie. A further objective was to examine the external oversight bodies of the United Nations system and the internal oversight services of each organization. More broadly, the report would assess the capacity of existing oversight mechanisms to deal with major risks that may arise in the United Nations system.
2. This report builds on previous JIU reports on accountability and oversight in United Nations system organizations, including an interim report in 1993 on the United Nations Secretariat, a system-wide report in 1995 that included detailed comparative data, a 1998 report that addressed the need for more coherence in the conduct of oversight in the United Nations system, a 2000 report on strengthening the investigations function in United Nations system organizations, and a 2001 report on enhancing the governance oversight role.<sup>2</sup>
3. The JIU standard methodology of desk reviews, detailed questionnaires, system-wide interviews, and in-depth analysis has been followed for this report. The Inspectors consulted with their oversight colleagues in the United Nations system, and also sought the views of internationally recognized oversight professionals in the private sector. The objective of this extensive analytical process was not only to identify gaps, shortcomings and inconsistencies in oversight provision in the United Nations system, but also best practices in both the public and private sectors. Definitions and explanations of the JIU suggested standards for the components of oversight used for the purposes of this report can be found in annex I. The comparative analysis in the context of the JIU suggested standards<sup>3</sup> is contained in annexes II–IX, which provide details on an organization-by-organization basis and are largely self-explanatory. The Inspectors would like to thank all those who so willingly contributed their time and expertise to this important endeavour.

### I. Oversight: the primary role of Member States

4. Member States have the responsibility for oversight in the organizations of the United Nations system and delegate some authority for oversight to the secretariats of the organizations and some to the external oversight bodies. Oversight is an integral part of the system of governance established by Member States within the United Nations system to provide them with assurance that:

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<sup>1</sup> *Official Records of the General Assembly, Sixtieth Session, Supplement No. 34 (A/60/34)*, Report of the Joint Inspection Unit for 2004 and programme of work for 2005, para. 38.

<sup>2</sup> JIU/REP/93/5 (A/48/420); JIU/REP/95/2, parts I and II (A/50/503 and A/50/503/Add.1); JIU/REP/98/2 (A/53/171); JIU/REP/2000/9 (A/56/282); JIU/REP/2001/4 (A/57/58).

<sup>3</sup> Some organizations may have adopted, or may wish to adopt, additional standards.

- The activities of the organizations are fully in accordance with legislative mandates
- The funds provided to the organizations are fully accounted for
- The activities of the organizations are conducted in the most efficient and effective manner
- The staff and all other officials of the organizations adhere to the highest standards of professionalism, integrity and ethics.

5. In addition, the Charter of the United Nations provides for system-wide oversight – mainly by the Economic and Social Council and the General Assembly – with a view to avoiding programmatic overlap and duplication and the concomitant waste of resources.

6. Member States have to balance their need for assurance with the costs of providing such assurance. The higher the level of assurance, the greater the cost. Reasonable assurance is generally considered to be the goal of oversight functions, with reasonableness defined by reference to a risk assessment conducted for each organization. On this basis, Member States can determine the level of assurance that they wish to obtain as a result of the activities of the oversight bodies, which in turn would enable them to fulfil their oversight responsibilities. Member States must be aware of the need to maintain the appropriate balance between external and internal oversight mechanisms in order to discharge their own oversight functions effectively.

## **II. The current oversight structure of the United Nations system**

### **A. External system-wide oversight mechanisms<sup>4</sup>**

7. The external bodies play a fundamental role in advising and assisting the legislative organs to discharge their oversight responsibilities. A distinction can be made between “operational” and “policy/review” oversight mechanisms in respect of both methodologies used and the relative positioning in the final decision-making process.<sup>5</sup> Among the external system-wide oversight bodies that assist Member States in their oversight responsibilities, the United Nations Board of Auditors (BOA), the external auditors of the specialized agencies and the International Atomic Energy Agency (IAEA) and JIU are operational oversight mechanisms, while the Advisory Committee on Administrative and Budgetary Questions (ACABQ), the Committee for Programme and Coordination (CPC) and the International Civil Service Commission (ICSC) are policy/review oversight mechanisms.

8. The Board, comprising three Auditors-General of Member States appointed by the General Assembly, provides external audit functions for the United Nations and its funds and programmes, with the exception of the World Food Programme (WFP), which has its own

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<sup>4</sup> For a more detailed review see JIU/REP/95/2, part I, chap. VII. See also General Assembly decisions 47/454 of 23 December 1992 and 48/493 of 29 July 1994, and A/55/270, para. 40.

<sup>5</sup> “Operational” oversight mechanisms tend to base their analyses and reports on primary data, while “policy/review” oversight mechanisms largely use data collected, analysed and prepared by other organizations, to which they add their own examination and analysis. Furthermore, “operational” oversight mechanisms are typically located at the start of the final decision-making process, while “policy/review” oversight mechanisms tend to be closer to the end of the process. See JIU/REP/98/2, paras. 5–6.



external auditor. The three members of BOA have joint responsibility for the external audit and report to the General Assembly through ACABQ. The Board is mandated to express an opinion on the financial statements and “may make observations with respect to the efficiency of the financial procedures, the accounting system, and the internal financial controls and, in general, the administration and management of the organization”.<sup>6</sup> The governing bodies of each of the specialized agencies and IAEA also appoint an Auditor-General to perform external audit functions.

9. The Panel of External Auditors was established by the General Assembly in 1959. The Panel comprises the members of BOA and the appointed external auditors of the specialized agencies and IAEA; it meets at least annually. The purpose of the Panel is to further the coordination of the audits for which its members are responsible and to exchange information on methods and findings. It also promotes best accounting and auditing practice in the United Nations system.

10. JIU is composed of 11 Inspectors with the broadest powers of investigation into all matters bearing on the efficiency of services and the proper use of funds in the organizations of the United Nations system. The Unit seeks to improve management, methods and coordination between organizations, through inspection, evaluation and investigation. The Inspectors are appointed by the General Assembly on the basis of their experience in national or international administrative and financial matters, including management questions, and with due regard to the principle of equitable geographical distribution. They serve in their personal capacity.

11. ACABQ is mandated to examine and report to the General Assembly on the proposed programme budget of the United Nations, advises on any administrative and budgetary matters referred to it, including the financing of peacekeeping operations and extrabudgetary activities, and considers and reports on the auditors’ reports on the accounts of the United Nations and the specialized agencies, as well as the reports of the other oversight bodies. It is also authorized to examine the administrative budgets of the specialized agencies and IAEA and proposals for financial arrangements with such agencies. ACABQ is composed of 16 members, at least three of whom are to be financial experts of recognized standing, appointed by the General Assembly on the basis of broad geographical representation, personal qualifications and experience, and serving in their individual capacities.<sup>7</sup>

12. CPC is the main subsidiary body of the Economic and Social Council and the General Assembly for planning, programming and coordination. It reviews the programmes of the United Nations and assists the Economic and Social Council in its coordination functions, including in respect of the programmes and activities of the agencies of the United Nations system, system-wide coherence and coordination, and the implementation of important legislative decisions. Its conclusions and recommendations play a key role in the adoption by the General Assembly of the United Nations programme budget. CPC has 34 members elected on the basis of equitable geographical representation.

13. ICSC is an independent expert body that is mandated to regulate and coordinate the conditions of service of staff in the United Nations common system. On some matters the Commission itself may take decisions, while in other areas it makes recommendations to the General Assembly. The Commission is composed of 15 members who are appointed by the General Assembly with due regard for broad geographical representation, and who serve in their personal capacities.

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<sup>6</sup> “Scope of audit” ([www.unsystem.org/auditors](http://www.unsystem.org/auditors)).

<sup>7</sup> Rule 155 of the rules of procedure of the General Assembly.

## **B. Internal oversight mechanisms**

14. The primary objective of internal oversight mechanisms is to assist the executive heads in fulfilling their management responsibilities by providing advice on the adequacy of internal controls and management practices based on a systematic and independent review of the operations of the entire organization. These mechanisms exist to strengthen the overall oversight structure of the United Nations system and assist Member States in their oversight responsibilities (see paragraph 4 above).

15. Internal auditing has a long history in the United Nations system; many internal audit units were created in the late 1940s and the 1950s when their respective organizations were founded.<sup>8</sup> Internal evaluation units were not generally established until the 1980s and 1990s, while inspection and investigation units remain few in number. In many organizations, the audit function is synonymous with the inspection function (annex I).

16. In the United Nations, the various oversight functions were consolidated and strengthened in 1994 when the Office of Internal Oversight Services (OIOS) was established by General Assembly resolution 48/218 B. OIOS provides internal auditing, investigation, inspection, programme monitoring, evaluation and consulting services to all United Nations activities under the authority of the Secretary-General: the secretariats in New York, Geneva, Nairobi and Vienna, the five regional commissions, and peacekeeping missions, the international tribunals, humanitarian operations and other entities in various parts of the world. It also provides assistance to funds and programmes administered separately under the authority of the Secretary-General at their request. In some other organizations of the United Nations system, internal oversight functions have similarly been consolidated in a single unit under a head of oversight services reporting directly to the executive head, while in others the structure remains fragmented (annex I).

## **C. Coordination and cooperation**

17. The external and internal oversight mechanisms outlined above are the component parts of the overall structure of oversight in the United Nations system. With their complementary mandates, these mechanisms can provide all of the oversight services that the United Nations system requires, providing that there is effective coordination and cooperation between them to avoid duplication and ensure synergy, and adequate supervision by Member States (see paragraphs 20–24 below). There are several forums in which such coordination and cooperation takes place, notably the:

- Tripartite Oversight Coordination Meeting between BOA, JIU and OIOS
- Annual meetings of representatives of the internal audit services of United Nations organizations and multilateral financial institutions (RIAS).
- Annual conference of investigators of United Nations organizations and multilateral financial institutions
- United Nations Evaluation Group (UNEG).

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<sup>8</sup> JIU/REP/95/2, part I, chap. II.

In addition, informal meetings and contacts take place, as well as bilateral cooperation, such as between JIU and OIOS in the preparation of reports that have clear complementarities in areas of common concern, and between OIOS and BOA which hold meetings on a bimonthly basis.

### **III. Deficiencies in the system of oversight**

18. The Inspectors have concluded that there is nothing intrinsically deficient with either the design or the mandates of the overall system of oversight in the United Nations system. These cover all the areas that are required, and effective mechanisms have been put in place to ensure synergies and avoid duplication of effort.

19. The Inspectors do recognize that no system is perfect, and that important issues remain, particularly with the level and type of resources, working practices and independence, which must still be addressed. They believe the answer lies not in an ad hoc or piecemeal approach; rather, Member States should step back and take stock of the oversight system as a whole, identify the problems and the opportunities, and act in a coordinated manner to address the problems across the system. The recommendations that follow are designed to assist Member States to deal with these issues.

#### **A. Oversight boards**

20. In their consultations with private-sector oversight professionals, the Inspectors discussed at some length the role of the audit/oversight committee in the private sector and its potential application in the public sector, including in international organizations. Against the background of recent private-sector corporate financial scandals, and the corporate governance reforms that have followed, the role of such committees has assumed a new importance. A recent study of the effectiveness of audit committees suggests that their role is expanding.<sup>9</sup> Not only are they expected to oversee the transparency of corporate financial statements, risk management and internal control, but they are also tasked to play a central role in compliance and ethics, to oversee management and internal audit, take ownership of the relationship with the external auditors, and undertake special investigations.

21. Oversight/audit committees or boards have already been established in some organizations of the United Nations system, with varying compositions, mandates and terms of reference, as can be seen in annex II. For the most part, these committees are internal to the organization in the sense that the majority of the members are senior managers in the organization, and the purpose of the committee is to advise the executive head on a range of oversight matters. The Inspectors believe the creation of internal oversight committees can lead to duplication of responsibilities that properly belong to the head of internal oversight in each organization. There is also potential conflict of interest in the composition of such committees. Furthermore, the lack of representation of Member States, who are the primary stakeholders, is a serious issue.

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<sup>9</sup> *Audit Committee Effectiveness – What Works Best*, 3rd ed., prepared by PricewaterhouseCoopers and sponsored by the Institute of Internal Auditors Research Foundation (2005).

22. A few organizations have established – or are in the process of establishing – external oversight committees, with the membership determined by Member States. The external oversight committee/board is more akin to the private-sector audit committee outlined above, and the Inspectors believe that this is a model that could be adopted by each organization of the United Nations system.

23. The proposed “oversight board” should be established in accordance with the governing structure of each organization. To maximize its effectiveness, the Inspectors believe its composition should be kept at a reasonable level and therefore suggest that it be limited to no more than five to seven members, proposed by the Member States’ regional groupings, and elected in their individual capacities by the governing body to represent the collective interests of all Member States. They should have prior experience in areas of oversight. The Inspectors believe it should be assisted by at least one external adviser with recognized expertise in oversight matters. Senior managers of the organization should not be considered members of the oversight board but would be invited to attend its meetings, as appropriate. The oversight board would meet at least once every quarter, and would submit a report, including recommendations as appropriate, to the governing body concerned at least once a year. The main advantages of the external oversight board would lie in its independence and expertise. Its members would not receive remuneration from the organizations for their services, only, where appropriate, travel and per diem for required attendance at meetings, thus reinforcing its independence. The secretarial servicing of the oversight boards should be provided by the existing internal resources of each organization, with no additional budgetary appropriations.

24. The functions of the external oversight board in each organization would include the review of the audited financial statements, risk assessment and internal controls. It would also evaluate the overall efficiency and effectiveness of the external auditor and the internal oversight service, and review their proposed fees/terms or budgets.

### **Recommendation 1**

**The legislative bodies of each United Nations system organization should establish an independent external oversight board composed of five to seven members, all of whom shall be elected by Member States to represent the governing bodies’ collective interests. They should have prior experience in areas of oversight. In carrying out their functions, they should be assisted by at least one external adviser with recognized expertise in oversight matters to be chosen by them.**

## **B. Deficiencies in external oversight**

### *1. No individual or collective accountability*

25. In the context of the 2004 internal review by JIU of its statute and working methods, the Inspectors recognized that, beyond the governing bodies, there was no provision for the systematic oversight of their own activities or those of the elected officials of other United Nations system oversight bodies. The question of “who is watching the watchers?” has thus been a major focus of the discussions in the extensive system-wide interviews for this report, and it has been generally agreed that effective individual or collective accountability of elected and appointed members in United Nations external oversight bodies is largely absent.

26. There are no simple solutions to this oversight lacuna. However, the Inspectors have concluded that, as an initial step to improve accountability, the external oversight bodies should

be subject to peer review. The functioning of these bodies, as well as the individual and collective accountability of their members, would be reviewed on a periodic basis to assure Member States that the oversight mechanisms themselves are working. Committees, as such, are not accountable, but their members are; they must be held responsible for their participation, especially since the funds of the organizations are being expended for this purpose.

## **Recommendation 2**

**The General Assembly should decide that ACABQ, ICSC and JIU should be subject to peer review at least every five years. Modalities for the peer review should be developed by the bodies concerned.**

### *2. No financial independence*

27. The Inspectors are firmly of the view that the budget proposals of the external oversight bodies should not be subject to scrutiny by the entities which are the object of their oversight, but instead should be reviewed by ACABQ or the external oversight boards concerned, as appropriate, and approved by Member States.

## **Recommendation 3**

### **(a) The General Assembly should decide that:**

**(i) The budget proposals for ICSC and JIU should be drawn up by the entities themselves, and incorporated as such into the Secretary-General's budget estimates to be submitted through ACABQ to the General Assembly for review and approval;**

**(ii) The budget proposals for ACABQ should be drawn up by the Committee itself, and incorporated as such into the Secretary-General's budget estimates to be submitted to the General Assembly for review and approval;**

**(b) The legislative bodies should decide that the proposed fees and terms of engagement of the external auditors should be submitted to the respective governing body through the external oversight board of each organization.**

28. The Inspectors are also firmly of the view that the provision in the statutes of some oversight bodies that restricts employment during and after their terms of office should be extended to all the external oversight bodies.<sup>10</sup> This provision is designed to avoid conflicts of interest that may otherwise arise, and is an important aspect of the current concern to improve integrity and ethics in the United Nations system. It is understood, as well, that elected officials who receive salaries or emoluments from the United Nations, i.e. JIU Inspectors, the Chairman of ACABQ, and the Chairman and Vice-Chairman of ICSC, should not accept any other employment or service, personal or salaried, while serving as elected officials. The Inspectors also believe that, in order to avoid conflicts of interest and promote reasonable rotation, term limits should be established for the external auditors such as those established for BOA, i.e. a six-year non-renewable term.

## **Recommendation 4**

**The legislative bodies should decide that the members of ACABQ, ICSC and JIU and other similar bodies within the United Nations system be subject to a uniform regime barring them from any appointment, including as a consultant, in the United Nations system**

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<sup>10</sup> Art. 15 of the JIU statute; art. 6 of the ICSC statute.

**organizations for which they have had oversight responsibilities both during their service and within three years of ceasing that service.**

#### **Recommendation 5**

**The legislative bodies should direct that term limits be established for the external auditors of the United Nations system organizations, and that the staff that have worked as external auditors be barred from taking up executive functions for a period of three years in those organizations for which they have had oversight responsibilities.**

##### *3. Lack of investigative capacity in respect of executive heads and internal oversight heads*

29. Recent cases of alleged wrongdoing by officials from the highest echelons of the organizations have received intensive media coverage that has been very damaging to the reputation of the United Nations system. Most of the organizations are ill equipped to deal with such cases, and many indicated that there were no policies or procedures in place to handle these matters (annex III).

30. The Inspectors are of the view that an independent external body should oversee investigations of alleged wrongdoing by the executive heads and internal oversight heads of the United Nations system when these arise. As JIU is the only external oversight body of the United Nations system mandated to undertake investigations, it can assume this responsibility, and do so within existing resources.<sup>11</sup> Moreover, JIU does not report to the executive head of any organization and thus its independence in these matters would be assured. The external oversight boards of the organizations could call upon JIU to undertake such investigations as the need arose.

##### *4. Potential overlaps in the scope of the external and internal audits*

31. As noted in paragraph 8 above, the mandate of many external auditors of the organizations of the United Nations system extends beyond financial audit and the review of internal controls to include observations with respect to the efficiency of the administration and management of the organization. While the external auditors and the internal oversight services in each organization undoubtedly coordinate their respective audit workplans, the Inspectors are concerned that there might be some overlap in the scope of each. However, they are confident that this issue should be resolved with the establishment of an external oversight board in each organization.

### **C. Deficiencies in internal oversight**

#### *1. Fragmentation of the internal oversight functions*

32. Internal oversight structures and arrangements vary widely in the organizations of the United Nations system and the single consolidated unit still tends to be the exception (annex I). While the audit, inspection and investigation functions may commonly be grouped together under one head who reports directly to the executive head, the evaluation function may be separate and its head is less likely to report directly.

33. The advantages of a single consolidated oversight unit reporting directly to the executive head were examined in some detail by JIU in its 1993 report on accountability and oversight in

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<sup>11</sup> JIU statute, art. 5, para. 1, art. 6, para. 1, art. 8 and art. 9, paras. 1–2.

the United Nations Secretariat.<sup>12</sup> These included greater flexibility and responsiveness, less overlap and better coordination, significant economies of scale and enhanced professionalism. The direct reporting line would free the internal oversight unit from control or undue influence from managers within the organization, increasing its independence and credibility. Also, a consolidated unit could help to overcome both perceived and actual deficiencies in accountability.

34. The Inspectors reiterate that the consolidation of the oversight functions of audit, inspection, investigation and evaluation into a single unit under a head of oversight reporting directly to the executive head, should normally be standard practice (annex IV).<sup>13</sup> They have strong reservations, however, regarding the inclusion of management consulting services in this unit, as is the case in OIOS, believing that there is an inherent conflict of interest in both giving management advice and overseeing the managers who act on that advice. Conflict of interest arises too where the head of internal oversight also assumes line management responsibilities, as in the United Nations Industrial Development Organization (UNIDO) with information and communication technology services. The Inspectors are of the view that anything other than the four oversight functions should be positioned elsewhere in the organization, such as in the office of the executive head or in the division of administration.

### **Recommendation 6**

**Executive heads should review the current structure of internal oversight in their respective organizations and ensure that:**

**(a) Audit, inspection, investigation and evaluation functions are consolidated in a single unit under the head of internal oversight reporting directly to the executive head;**

**(b) Any functions other than the four oversight functions should be positioned elsewhere in the secretariats and not in the internal oversight unit.**

#### *2. Lack of provision for the investigations function*

35. Concerns about the adequacy of the provision for the investigations function in United Nations system organizations led JIU to produce a report on the subject in 2000.<sup>14</sup> It found that there was a fragmentation of responsibility for the investigations function within the organizations, and that significant differences existed among the organizations regarding the location and lines of reporting for those units specifically mandated to conduct investigations. Among the requirements for investigations, the report identified the need for a clear mandate, including jurisdictions and authorities, operational independence, strong support from the executive head, and qualified investigators.

36. Reviewing the situation five years on, it is clear that problems remain. The Inspectors are particularly concerned that the majority of the organizations lack the capacity to conduct investigations, and that in many cases investigations continue to be conducted by staff whose main skills lie in other areas of oversight, and not by qualified and dedicated professional investigators (annex III and annex VIII). They note the recent proposal to strengthen significantly the investigative capacity of OIOS, and believe that this should provide adequate coverage for the United Nations. But the marked lacunae in the investigations capacities of some of the specialized

<sup>12</sup> JIU/REP/93/5, chap. VI.

<sup>13</sup> The Inspectors recognize that, in the case of the evaluation function, some exceptions may need to be made for those project-oriented organizations requiring extensive evaluation skills; where exceptions are made, proper coordination is essential.

<sup>14</sup> JIU/REP/2000/9.

agencies remain to be addressed. The Inspectors believe that United Nations organizations with at least 700 staff members, including temporary staff, peacekeeping staff and national staff, should have a professional investigator in-house (see annex VIII). JIU plans to provide this service for those agencies not meeting that minimum number of staff.<sup>15</sup>

### **Recommendation 7**

**The legislative bodies of each United Nations system organization should direct their respective executive heads to:**

**(a) Review the capacity of the organization to conduct investigations and put forward proposals for the establishment of a minimum in-house capacity for investigations;**

**(b) Ensure that a minimum investigations capacity comprises qualified and experienced professional investigators who would not be subject to rotation within that organization;**

**(c) Ensure that investigations entities are authorized to initiate investigations without interference from senior management in the respective organizations;**

**(d) Ensure that independent reporting procedures for investigations are established (see recommendation 11 below).**

#### *3. Lack of policies and procedures to encourage reporting of suspected wrongdoing*

37. Most of the organizations indicated that there was no formal policy in place to encourage the reporting of suspected wrongdoing, or to protect the confidentiality of whistle-blowers (annex III), which is a major cause for concern. In this regard, the Inspectors welcome the Secretary-General's recent administrative issuance, which provides comprehensive guidelines and procedures for reporting misconduct, and protection against retaliation for reporting such misconduct.<sup>16</sup> The Inspectors believe that similar guidelines and procedures need to be established in other United Nations system organizations.

### **Recommendation 8**

**The legislative bodies of each United Nations system organization should direct their respective executive heads to establish similar policies and procedures to those recently established by the United Nations to provide protection against retaliation for reporting misconduct, and these should be widely publicized.**

#### *4. Lack of independence*

38. Separating the internal oversight functions from other functional areas in the organization and consolidating them in a single unit under an oversight head reporting to the executive head brings a necessary – but not sufficient – measure of independence. It is not sufficient because the budgetary requirements of the internal oversight unit remain the subject of scrutiny and control by managers in other functional areas such as budget and finance, and ultimately by the executive

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<sup>15</sup> In the 2004-2005 biennium, the International Maritime Organization (IMO), the World Meteorological Organization (WMO), the World Tourism Organization (UNWTO) and the Universal Postal Union (UPU) all had below the minimum number of staff required by the JIU suggested standard for an in-house investigations function. Together, they have 925 staff members that could be appropriately serviced by one investigator at the Professional level (annex VIII).

<sup>16</sup> "Protection against retaliation for reporting misconduct and for cooperating with duly authorized audits or investigations" (ST/SGB/2005/21 of 19 December 2005).



head. In each organization, an independent mechanism should review the proposed budget and make recommendations to the governing body on the level of resources necessary for internal oversight. The external oversight board should perform this role.

39. There are other reasons why the internal oversight service should have a degree of operational and financial independence from the executive head. The handling of recent cases of alleged wrongdoing by officials from the highest echelons of some organizations has brought this issue sharply into focus and identified a major oversight lacuna. Direct access by the head of internal oversight to an independent, external oversight board is therefore considered to be essential (see paragraph 42 below).

### **Recommendation 9**

**The legislative bodies of each organization should decide that the proposed budget of the internal oversight entity should be drawn up by the entity itself and submitted to the external oversight board, together with any comments of the executive head, for review and transmittal to the appropriate governing body.**

#### *5. Unsatisfactory procedures for the appointment of the internal oversight head*

40. The Inspectors have identified problems in the United Nations system with the procedures for appointing heads of internal oversight services (annex V). These include the absence of a competitive recruitment process, appointments being made by the executive head without prior consultations, lack of term limits, and the absence of restrictions on subsequent employment within the organization. Such practices can undermine the independence and effectiveness of the internal oversight head, and hence the function. There is also inadequate protection for the heads of internal oversight services against unfair dismissal or separation or redeployment by the executive head, which might also jeopardize the independence of the function.

### **Recommendation 10**

**With respect to the appointment of the head of internal oversight, the legislative bodies in each organization should decide that:**

**(a) Qualified candidates should be identified on the basis of a vacancy announcement that should be widely publicized;**

**(b) Appointment should be subject to consultation and prior consent of the governing body;**

**(c) Termination should be for just cause, and should be subject to the review and consent of the governing body;**

**(d) A non-renewable tenure of five to seven years should be established, with no expectation of any further employment within the same United Nations organization at the end of the term.**

#### *6. Inadequate reporting modalities*

41. In many organizations the internal oversight head provides an annual summary report to the governing body that may include a list of the reports produced. If the executive head makes comments on the annual summary report, these would also be submitted to the governing body. In some organizations, Member States may have access to individual oversight reports on request,

though this does not generally extend to investigation reports (annex VI). The Inspectors note in this regard the recent General Assembly resolution that gives discretion to the head of OIOS to withhold an investigation report in certain circumstances.<sup>17</sup> The Inspectors have concluded that the results of investigations of misconduct, fraud and corruption should be provided to both the oversight board and an ethics office(r) (see paragraph 49 below). Having due regard to confidentiality, the ethics office(r) should disseminate a summary of the general content of investigation reports to all staff.

42. The Inspectors are of the view that the minimum standard for the reporting responsibilities of the internal oversight services of the United Nations system should encompass reporting to both the executive head and the oversight board of the organization. While the head of internal oversight should report to the executive head, he/she should also have unimpeded access to the external oversight board, including in instances where disagreements arise with the executive head (see also paragraph 39 above). The oversight board would report at least annually to the governing body.

### **Recommendation 11**

**The legislative bodies in each organization should direct their respective executive heads to ensure that the following minimum standards are in place for reporting on internal oversight:**

- (a) Internal oversight reports to be submitted to the executive head;**
- (b) An annual internal oversight summary report to be submitted independently to the oversight board for its review, with the comments of the executive head submitted separately;**
- (c) Individual internal audit, inspection and evaluation reports to be provided to the oversight board, on request;**
- (d) Individual investigation reports to be provided to the oversight board, on request, with due safeguards for confidentiality.**

#### *7. Inadequate follow-up to internal oversight recommendations*

43. While there are procedures in place in the organizations for the tracking and follow-up of external and internal oversight recommendations, the Inspectors are of the view that such procedures need to be strengthened to ensure the fullest impact of the oversight services (annex IV). Follow-up procedures should adhere to the minimum standards listed in the recommendation below.

### **Recommendation 12**

**With respect to the follow-up of oversight recommendations, the legislative bodies in each organization should direct their respective executive heads to ensure that:**

- (a) A database is created to monitor the follow-up of all oversight recommendations, and pending recommendations are monitored and followed up on a timely basis;**

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<sup>17</sup> Resolution 59/272, para. 2.

**(b) The annual internal oversight summary report to the oversight board contains a summary of oversight recommendations not yet fully implemented.**

8. *Lack of review of the performance of most internal oversight functions*

44. The Inspectors found that the performance of the internal oversight entities in United Nations system organizations was not being systematically appraised (annex IV). The question of “who is watching the watchers?”, raised in paragraph 25 above, applies equally to the internal oversight functions, and there are serious accountability issues to be addressed. There is a clear need for periodic independent assessment of the performance of the internal oversight entities, and the Inspectors are of the view that this could be done through peer review.

**Recommendation 13**

**The legislative bodies in each organization should direct their respective executive heads to ensure independent quality assessment, for example through peer review, of the internal oversight entity, at least once every five years.**

9. *Inadequate resources*

45. There are wide variations in the budgetary and staffing provision for internal oversight in the organizations of the United Nations system. For the 2004–2005 biennium, the level of the internal oversight budget in relation to the total budget in each organization ranges from 0.99 per cent of the total budget down to 0.13 per cent (annex VII). The total number of internal oversight Professional staff ranges from 135 down to less than one, while the resources managed per auditor range from US\$ 28 million up to US\$ 272 million (annex VIII). In organizations that have investigators, the number of staff members per investigator ranges from 896 to 9,346. Finally, resources managed per evaluator range from US\$ 70 million to US\$ 497 million.

46. The Inspectors are concerned that many of the oversight posts are vacant and that there are significant lags in filling the positions. This, coupled with significant budgetary shortfalls in oversight in some organizations, suggests that there must be a much higher level of commitment by both executive heads and Member States to the oversight function.

47. The Inspectors consider that provision for internal oversight is inadequate in many organizations in the system, and would propose minimum standards for the budget and staffing that take account of the differences between headquarters and field-based organizations. For those organizations that manage biennial resources of at least US\$ 250 million, an internal oversight unit can be justified, which should be staffed with three audit professionals at a minimum. For those organizations that manage biennial resources of less than US\$ 250 million, a dedicated unit cannot be justified and internal oversight services should be in-sourced to any other organization in the United Nations system that has the capacity to respond.

48. The Inspectors reviewed the United Nations, its funds and programmes, and the specialized agencies – 19 secretariats in all. Of these, 11 appear to be underinvesting in the area of oversight in general (see annex VII). Of great concern to the Inspectors is the fact that six of them do not have any investigative capacity, and another 11 seem to have insufficient capacity (see annex III). Deficiencies also exist in the areas of coordination of functions, follow-up systems, quality controls, selection of heads of internal oversight units, and reporting lines and responsibilities (see annexes IV to VI). There is a summary of staffing for audit, investigation and evaluation in

annex VIII, and annex IX is designed to give an idea of the state of the accountability framework of each secretariat.

#### **Recommendation 14**

**The legislative bodies in each organization should adopt the following standards in respect of internal oversight:**

**(a) For those organizations that manage biennial resources of at least US\$ 250 million, an internal oversight unit is justified;**

**(b) For those organizations that manage biennial resources of less than US\$ 250 million, internal oversight services should be in-sourced to any other organization in the United Nations system that has the capacity to respond.**

#### *10. Lack of policies and procedures in respect of integrity and ethics*

49. Recent revelations concerning unethical behaviour and corrupt practices in United Nations system organizations have underlined the need for policies and practices that address integrity and ethics. While many organizations have developed formal codes of conduct for their staff in recent years, the Inspectors believe that existing mechanisms in this area do not go far enough in most organizations (annex IX). They propose that a formal ethics function be established in each organization to develop policies and procedures and oversee the application of minimum acceptable standards of behaviour. In this regard, the Inspectors welcome the recent establishment of an Ethics Office in the United Nations Secretariat, reporting directly to the Secretary-General, and tasked with fostering a culture of ethics, transparency and accountability. The Ethics Office will, inter alia, administer the financial disclosure programme and provide confidential advice and guidance to staff on ethics issues.<sup>18</sup> The Inspectors propose that a similar function be created in each organization. This function should be headed at the D-1 or P-5 level, depending on the size and structure of the organization and the number of staff to be covered. In the smaller organizations, it could be a dual-function post. The executive head of each organization would address all staff on an annual basis, reinforcing his/her commitment to and support for an organization free from corruption and unethical behaviour. The website of each organization would contain the policies in effect, as well as the code of conduct. The Inspectors are also of the opinion that any reports of the Ethics Office(r) should be made available to the oversight board.

#### **Recommendation 15**

**The legislative bodies in each organization should direct their respective executive heads to put forward proposals for the:**

**(a) Establishment of an ethics function with clear terms of reference which should be publicized through the organization's website and other media;**

**(b) Establishment of a post of ethics officer at the D-1/P-5 level, as appropriate, within the office of the executive head;**

**(c) Mandatory integrity and ethics training for all staff, particularly newly recruited staff.**

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<sup>18</sup> ST/SGB/2005/22 of 30 December 2005.

50. The Inspectors are particularly concerned about the inadequacy – or absence – of financial disclosure provisions for senior managers and procurement officials in United Nations system organizations (annex IX). Confidential financial disclosure statements should be obligatory for all elected officials, all staff at the D-1 level and above, all staff members whose main duties are the procurement of goods and services or the investment of financial assets, and all Professional-level oversight staff. Their financial disclosure statements should be reviewed by the ethics office(r).

#### **Recommendation 16**

**The legislative bodies in each organization should direct their respective executive heads to put forward proposals for the:**

**(a) Establishment of confidential financial disclosure requirements for all elected officials and all staff at the D-1 level and above, as well as those staff mentioned in paragraph 50 above;**

**(b) Annual filing of the financial disclosure statements to the ethics office(r) for review.**

#### **D. Deficiencies in coordination**

51. As noted in paragraph 17 above, the external and internal oversight mechanisms can provide all of the oversight services that the United Nations system requires, as long as there is effective coordination and cooperation between them to avoid duplication and ensure synergy. The Inspectors are of the view that such coordination and cooperation should be enhanced through annual meetings of the chairpersons of the external oversight boards. It is important that the experience of the individual oversight boards be shared to determine best practices for achieving efficiency and effectiveness in the oversight functions. The Inspectors would encourage the oversight boards to develop a cost-effective mechanism for this purpose.

#### **Recommendation 17**

**The legislative bodies of each United Nations system organization should direct their respective oversight boards to establish an effective mechanism for coordination and cooperation among the external and internal oversight bodies on a system-wide basis.**

### **IV. The challenge for Member States**

52. The Inspectors are of the view that it is critical that Member States exercise fully their oversight responsibilities. Their domestic publics deserve United Nations organizations that are efficient, cost-effective and transparent. They have entrusted the governing bodies with the oversight of the budgets and management of the organizations. If the domestic publics do not believe that adequate safeguards are in place, confidence and support for the organizations may be lost.

## Annex I

### Explanation of the Joint Inspection Unit suggested standards and ranges

The Inspectors have verified that in both the private and public sectors there are no established qualitative or quantitative standards for audit, investigation and evaluation functions. However, based on best practices in the private sector, the public sector and the United Nations system, the Inspectors have formulated broad standards and ranges in the annexes, which can guide Member States and executive heads in determining the adequacy or inadequacy of the mandates and resources allocated to the oversight functions within the various United Nations system organizations.

The Inspectors wish to point out that the fact that an organization may fall outside the Joint Inspection Unit (JIU) suggested standards or ranges does not necessarily mean that changes in mandates or in oversight resources allocated are required. However, it would highlight the fact that mandates and/or resources fall outside average parameters established, and that therefore there is a need for a review to ascertain their adequacy to the particular needs of that organization.

Moreover, this review did not include a judgement on the efficiency with which the various United Nations system oversight units operate. This task will be accomplished by the suggested periodic peer reviews (see recommendation 13).

**A. For the general standards suggested in the following annexes, the criteria established were based on:**

- Literature on the subject where available
- Various reports submitted to the General Assembly and the governing body of the respective organization
- Best practices in the internal oversight mechanisms of the United Nations system organizations
- Discussions with the staff of United Nations system oversight bodies
- Discussions with internationally renowned private-sector oversight companies in respect of practices in that sector.

**B. For specific standards:**

**Minimum requirements to set up an oversight unit (annex VII)**

The suggested standard was established by determining the minimum skills requirements (three Professionals and adequate support staff) for an effective internal oversight unit. The cost of such a unit for a biennium is estimated at approximately US\$ 2,128,000. This would require an organization to manage as a minimum US\$ 250 million of total resources over a biennium to justify an internal oversight unit.<sup>19</sup>

**Criteria for determining the range for number of auditors, investigators and evaluators (annex VIII)**

*Auditors*

In addition to the criteria listed in section A above, the range of US\$ 60 to US\$ 110 million per auditor is based on a ratio of total resources managed taking into account headquarters and field responsibilities of the organizations.

*Investigators*

In addition to the criteria listed in section A above, as investigators deal with cases of negligence or wrongdoing by staff members, the suggested range of 700 to 1,500 staff employed per investigator relates to the number of staff in an organization rather than to the volume of total resources managed. It also takes into account the headquarters and field responsibilities of the organizations.

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<sup>19</sup> Total resources managed equates to the budget of the organization plus voluntary contributions, trust funds, etc.

*Evaluators*

In addition to the criteria listed in section A above, the range of US\$ 125 to US\$ 250 million per evaluator is based on a ratio of total resources managed taking into account headquarters and field responsibilities of the organizations.

## Annex I (continued)

### 1. Definitions<sup>20</sup>

1. **Oversight** is generally understood under the dictionary definition as bodies, units and processes that provide “supervision” and “watchful care” in an organization. Oversight mechanisms can be considered “operational”, that is, they tend to base their analyses and reports on primary data, and generally use the reporting of other organizations mostly for background information. Those that are operational would include the various internal oversight mechanisms of the organizations – those performing audit, evaluation, inspection, monitoring, and investigation – and the following external oversight mechanisms: the United Nations Board of Auditors (BOA), the external auditors of the specialized agencies and the International Atomic Energy Agency (IAEA), and JIU. In contrast, the other oversight mechanisms, especially the Advisory Committee on Administrative and Budgetary Questions (ACABQ), the Committee for Programme and Coordination (CPC) and the International Civil Service Commission (ICSC), could be considered “review/policy” oversight mechanisms, since they use to a large extent data collected, analysed and prepared by other organizations, to which they add their own examination and analysis.

2. **Audit** is an independent activity to determine if there is an adequate and effective system of internal controls for providing reasonable assurance with respect to (a) integrity of financial and operational information; compliance with regulations, rules, policies and procedures in all operations, and safeguarding of assets; (b) the economic and efficient use of resources in operations and identifying opportunities for improvement in a dynamic and changing environment; and (c) the effectiveness of programme management for achieving stated objectives consistent with policies, plans and budgets.

(i) **Compliance audit** determines whether the application of rules etc., and the activities, financial transactions, and information – which are reflected or contained in the accounts or financial statements of an audited entity, or for which the audited entity is accountable – are in accordance with norms and standards for public-sector financial or other management (which includes the probity and propriety of administrative decisions); applicable laws and regulations; and budgetary laws, or parliamentary or other relevant budgetary or other decisions, and the intention and premise for the laws or decisions;

(ii) **Performance audit** (also known as value-for-money audit) evaluates whether an organization is effectively meeting its objectives, and using its resources economically and efficiently. Performance audit reports provide an independent assessment of an area of the organization’s activity and seek to improve resource management and add value through recommendations for improving operations and procedures. Performance audits do not question the merits of the organization’s policies. Rather, they examine the organization’s management practices, controls and reporting systems based on its own public administration policies and on best practices;

(iii) **Management audit** reviews the general management policy and policymaking of a given institution.

3. **Investigation** is an independent inquiry into the conduct of, or action taken by, an individual or group of individuals or a situation or occurrence resulting from accident or force of nature. An investigation pursues reports of fraud, corruption and any other irregular activity, including misconduct, with a view to proposing corrective management and administrative measures, and, as appropriate, eventual prosecution or disciplinary measures. An investigation compares the subject under investigation to established criteria (e.g. rules and regulations, administrative instructions and codes of conduct).

4. **Inspection** is an independent, on-site review and appraisal of the operations of organizational units to determine the effectiveness of the performance operations and to assess their quality. An inspection compares processes, activities, projects and programmes to established criteria (e.g. applicable rules and

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<sup>20</sup> Compiled from JIU/REP/95/2; JIU/REP/98/2; [www.un.org/depts/oios](http://www.un.org/depts/oios); [www.intosai.org](http://www.intosai.org) (website of the International Organization of Supreme Audit Institutions).



regulations, internal administrative instructions, good operational practices of other units within or outside the organization concerned), and does so in view of the resources allocated to them.

5. **Evaluation** is an independent review that seeks to determine as systematically and objectively as possible the relevance, effectiveness and impact of an ongoing or completed programme, project or policy in the light of its objectives and accomplishments. It encompasses their design, implementation and results to provide information that is credible and useful, enabling the incorporation of lessons learned into both executive and legislative decision-making process.

6. **Monitoring** is a periodic assessment by programme/oversight managers of the progress in achieving the expected accomplishments and delivering the final outputs, in comparison with the commitments set out in the programme document approved by the governing body. It provides assurance that the implementation of a programme or project is proceeding as planned.

## Annex I (continued)

## 2. Summary of structures for internal oversight

COMPONENTS OF INTERNAL OVERSIGHT				
	AUDIT	INVESTIGATION	INSPECTION	EVALUATION
<b>UNITED NATIONS, ITS FUNDS AND PROGRAMMES</b>				
<b>United Nations</b>	Office of Internal Oversight Services (OIOS)			
<b>UNDP</b>	Office for Audit and Performance Review (OAPR)			Evaluation Office (EO)
<b>UNFPA</b>	Division for Oversight Services (DOS)	UNFPA/Dept. of Human Resources or OIOS or OAPR/UNDP	Division for Oversight Services	
<b>UNICEF</b>	Office of Internal Audit (OIA)			EO
<b>UNHCR</b>	OIOS	Inspector-General's Office (IGO) <sup>21</sup>		Evaluation and Policy Analysis Unit (EPAU)
<b>WFP</b>	Inspector General and Oversight Services Division (OSD)			Results-Based Management Division (OEDR)
	Office of Internal Audit (OSDA)	Office of Inspections and Investigations (OSDI)		Office of Evaluation (OEDE)
<b>SPECIALIZED AGENCIES AND IAEA</b>				
<b>ILO</b>	Office of Internal Audit and Oversight (IAO)			Management and Administration Evaluation Unit
<b>FAO</b>	Office of the Inspector-General (OIG)			Evaluation Service
<b>UNESCO</b>	Internal Oversight Service (IOS)			
<b>ICAO</b>	Office for Programme Evaluation, Audit and Management Review (EAO)	No formal function	EAO	EAO
<b>WHO</b>	Internal Oversight Service (IOS)			
<b>UPU</b>	Internal Auditor			Internal Auditor Programme/Project Managers
<b>ITU</b>	Internal Auditor			Being established as part of RBM
<b>WMO</b>	Internal Audit and Investigation Service (IAIS)	No formal function		IAIS
<b>IMO</b>	Member State Audit and Internal Oversight Section (MSA & IOS)			
<b>WIPO</b>	Internal Audit and Oversight Division (IAOD)			
<b>UNIDO</b>	Office of the Comptroller General (OCG)			
	Internal Audit Group (IAG)			Evaluation Group (EVG)
<b>UNWTO</b>				
<b>IAEA</b>	OIOS of IAEA			
<b>ENTITIES COVERED BY OIOS AND OTHERS</b>				
<b>ITC</b>	OIOS			Office of the Director
<b>UN-Habitat</b>	OIOS	Internal Investigation Panel	OIOS	Internal Evaluation Unit
<b>UNODC</b>	OIOS			Independent Evaluation Unit
<b>UNEP</b>	OIOS			Evaluation and Oversight Unit
<b>UNITAR</b>	OIOS			No unit recorded
<b>UNU</b>	OIOS			External experts
<b>UNRWA</b>	Audit Office			Programme managers
<b>UNOPS</b>	OAPR			Decentralized


*Source:* Based on table originally reproduced in JIU/REP/98/2, "More coherence for enhanced oversight in the United Nations system" – updated as at February 2006.

<sup>21</sup> Also covered by OIOS of the United Nations for investigations.

## Annex II

### Oversight board

Organization	Establishment and mandate (including responsibility for oversight budget)	Composition	Periodicity of meetings	Comments
<b>UNITED NATIONS, ITS FUNDS AND PROGRAMMES</b>				
<b>United Nations</b>	<p>The Secretary-General established an Oversight Committee (ST/SGB/2005/18) in September 2005 “to provide independent advice to the Secretary-General on all Secretariat activities relating to internal and external oversight and investigations, including internal controls and monitoring of corrective actions recommended by internal and external auditors”.</p> <p>The Secretary-General in November 2005 proposed to the General Assembly the establishment of an independent audit advisory committee, in an expert advisory capacity to the Assembly to help the General Assembly better exercise governance responsibilities with respect to the various operations of the United Nations.</p>	<p>The chairperson and the two members are senior officials with the rank of Assistant Secretary-General (ASG) and above, plus an external member. The Under-Secretary-General for Management is an ex officio member.</p> <p>The Committee will be composed of five to seven members, independent of the United Nations Secretariat and the Member States. Candidate members will be nominated by the Secretary-General and approved by the General Assembly. The Committee membership should reflect a broad geographical distribution and include a balance of representation with public and private sector experience.</p>	<p>Not less than every calendar quarter.</p> <p>At least four times a year.</p>	Does not meet the JIU suggested standards.
<b>UNDP</b>	Management Review and Oversight Committee (MROC) established in 1996. The mandate is under review.	Chaired by the Associate Administrator; Directors of OAPR and EO are ex officio members; membership comprises four external members and three internal members.	Quarterly.	Does not meet the JIU suggested standards.
<b>UNFPA</b>	Oversight Committee established in January 2003 to ensure the effectiveness of the UNFPA accountability systems and processes. UNFPA is in the process of establishing an independent external Oversight Committee.	Chaired by the Executive Director, it is composed of senior managers in UNFPA, i.e. Deputy Executive Director (DED)/Programme, DED/Management, Director/Div. Management Services, Director/Div. Oversight Services; External member from sister United Nations system organization for discussion on audit matters.	Meetings held on a quarterly basis.	Does not meet the JIU suggested standards.
<b>UNICEF</b>	<p>The UNICEF Internal Audit Committee was established in 1992, to review and follow up on the internal audit reports and to ensure appropriate preventive and corrective action.</p> <p>The Evaluation Committee established by the Executive Director in October 2002 was to review the evaluation reports and endorse their recommendations and follow up on their implementation.</p>	<p>Chaired by DED (Operations), the members include DED/Programme; DED/External Relations; Comptroller; Director, Division of Personnel; Director, Internal Audit; Director, Evaluation Office; Director of Audit and Performance Review of UNDP as the external member.</p> <p>The core members of the Evaluation Committee are the Executive Director (Chairperson) or DEDs, Director Policy and Planning, Director Programme Division, Director Office of Emergency Programmes (EMOPS), Director of the Innocenti Research Centre, and Directors of Internal Audit and Evaluation.</p>	<p>The Internal Audit Committee will meet every quarter.</p> <p>The Evaluation Committee will meet at least three times a year.</p>	Does not meet the JIU suggested standards.
<b>UNHCR</b>	The Oversight Committee was established in 1997 to	Deputy High Commissioner (Chairperson); Assistant High	Once every quarter.	Does not meet the JIU

	assist the High Commissioner in overseeing the financial and operational management of the agency, to monitor the independence and effectiveness of the internal oversight functions and to ensure that oversight findings and recommendations are adequately addressed.	Commissioner; Director, Department of International Protection; Controller and Director, Division of Financial and Supply Management; Director, Division of Human Resources Management; an external member. The Inspector General and the Chief of the UNHCR Audit Service attend the meetings on an ex officio basis.		suggested standards.
<b>WFP</b>	The Audit Committee has been in existence for the last 20 years and was reconstituted in June 2004, to assist the Executive Director in fulfilling his responsibilities for financial reporting, use of resources, internal control arrangements, risk management process and other audit related matters.	Executive Director appoints five members (three external and two staff members). An external member chairs the Committee. Term of office is two years, renewable once.	Normally at least four times a year.	Does not meet the JIU suggested standards.
<b>SPECIALIZED AGENCIES AND IAEA</b>				
<b>ILO</b>	The Programme, Finance and Administrative Committee of the governing body exercises oversight of performance and provides direction. There is no separate audit or oversight committee.			Does not meet the JIU suggested standards.
<b>FAO</b>	Audit Committee established in 2003 as an advisory panel to the Director-General and to the Office of the Inspector-General. Its aim is to assist the organization in gaining house-wide acceptance of the importance and value of the internal audit, inspection and investigation functions and provide the Director-General with assurance that these functions are operating effectively and efficiently. The Audit Committee reports to the Director-General, with copies to the Finance Committee. There is also an Evaluation Committee.	Composed of seven members. Five internal: Deputy Director-General (Chairperson), Assistant Director-General (ADG)/AF, Legal Counsel, second ADG, and the Inspector General (ex officio); two external. At the discretion of the chairperson the External Auditor may be invited to attend meetings. All members are appointed by the Director-General. External members are selected on the basis of their qualifications as senior audit and investigation professionals.	Three to four times a year.	Does not meet the JIU suggested standards.
<b>UNESCO</b>	The Oversight Committee functions as an advisory panel to the Director-General and IOS to gain house-wide acceptance of the importance and value of oversight and provides the Director-General with the assurance that the oversight function is operating efficiently and effectively. The Committee deals with strategic issues relating to oversight. Its responsibilities include assessing the adequacy of IOS resources.	The Committee is appointed by the Director-General and is composed of membership made up entirely of external members who are respected professionals. Currently there are five members, a former JIU Inspector (Chairperson), a former head of internal audit in both private/public sector, the former head of evaluation in the International Fund for Agricultural Development (IFAD), the head of evaluation and effectiveness in the Organisation for Economic Co-operation and Development (OECD) and the Special Assistant for Management to the Director-General of IAEA.	Three times a year.	Partially meets the JIU suggested standards.
<b>ICAO</b>	The Internal Audit Committee is advisory to the Secretary-General to identify work assignments and systems, and financial procurement control procedures that would benefit from an audit review; review the coverage and priorities of the annual Audit plan; study the implications and recommendations contained in the Annual Report of the Chief, IAO; prepare and submit to the Secretary-General any conclusions or recommendations relating to the audit plan and reports.	The Senior Management Group of ICAO acts as the de facto Audit Committee.		Does not meet the JIU suggested standards.
<b>WHO</b>	The Programme, Budget and Administrative Committee	The Committee is composed of 14 members selected from	Meets twice a year.	Does not meet the JIU

	(PBAC) established in May 2004 acts as the oversight board.	the WHO Executive Board.		suggested standards.
<b>UPU</b>	Internal Audit Committee established in October 2005 to assist the Director General in his oversight of the financial and operational management of the UPU International Bureau. In accordance with the provisions of the Charter of Internal Auditing, it is also called upon to ensure the independence of the Internal Auditor, take account of risk assessments, and follow up on the proposals and/or recommendations made by auditors.	Director of the Director General's Office, Strategic Planning and Communication (Chairperson); Director of Finance; Director of Human Resources. The Internal (and in some cases External) Auditor attends the meetings; the Internal Auditor serves as secretary.	At least once every six months.	Does not meet the JIU suggested standards.
<b>ITU</b>	No audit nor oversight committee.			Does not meet the JIU suggested standards.
<b>WMO</b>	The Audit Committee was established by the Executive Council in October 2005 to appraise the Executive Council of the Secretary-General's actions to maintain and operate appropriate and effective internal controls and to review, agree and approve the audit plans, arrangements for and reports of internal and external audit.	Nine members, six representing the member States and three financial experts proposed by the Secretary-General and approved by the President of WMO.	Three times a year.	Fully meets the JIU suggested standards.
<b>IMO</b>	No audit nor oversight committee.			Does not meet the JIU suggested standards.
<b>WIPO</b>	Audit Committee established by WIPO Assemblies in September 2005 to promote internal control; focus on assurance resources and to monitor audit performance. The Committee will submit regular reports and make recommendations to the Program and Budget Committee.	The Audit Committee has nine members: seven members nominated by member States and elected by the Program and Budget Committee (expertise and geographical distribution to be the guiding factor); one member to be a senior oversight professional in the United Nations system, and one similarly selected from outside the United Nations system.	In general, the Audit Committee will meet every quarter, keeping member States informed of its work on a regular basis.	Fully meets the JIU suggested standards.
<b>UNIDO</b>	Such a committee is not considered necessary in view of the well-functioning governance structure of the Organization and its size. The External Auditor also considered it unnecessary owing to the work of the UNIDO Programme and Budget Committee (PBC), which closely looks into the oversight and audit reports of the external auditors as well as the continuous informal dialogue between the secretariat and member States.			Does not meet the JIU suggested standards.
<b>UNWTO</b>				
<b>IAEA</b>	The need for a Review and Oversight Committee is being considered and draft terms of reference of the Committee are being prepared. The Agency's Programme and Budget is submitted to member States by the Director-General. It is discussed by the Programme and Budget Committee, which recommends its approval to the Board of Governors before submission to the General Conference. The budget and programme of the IAEA OIOS is included in the Director-General's proposal.			Does not meet the JIU suggested standards.

**Suggested JIU standards:**

- (a) Established by the authority of the governing body;
- (b) Five to seven members, all of whom represent the Member States, assisted by at least one external expert;
- (c) Includes external members who are experts in oversight;
- (d) Staff members of the organizations concerned invited to the oversight board meetings as appropriate;
- (e) Meets at least once every quarter;
- (f) Responsibilities include review of the internal oversight budget and making recommendations to the governing body.

**Annex III****Investigations function**

<b>Organization</b>	<b>Capacity to handle complex/multi-agency programmes?</b>	<b>Procedures to investigate the executive head, and the head of internal oversight? If so, by whom?</b>	<b>Policy for “whistle-blower protection”</b>	<b>Comments</b>
<b>UNITED NATIONS, ITS FUNDS AND PROGRAMMES</b>				
<b>United Nations</b>	OIOS Investigation Division has the required capacity.	Regarding executive heads, the OIOS Investigation Division handles such cases in the normal course of its work.  In the case of oversight staff, if it were an internal disciplinary matter it would be handled according to ST/AI/371. Anything else would be addressed through the USG/OIOS. No formal procedures for the latter.	The Secretary-General has recently promulgated a bulletin (ST/SGB/2005/21) relating to protection against retaliation for reporting misconduct and for cooperating with duly authorized audits or investigations. The objective is to enhance protection for individuals who report misconduct or cooperate with duly authorized audits or investigations.	Fully meets the JIU suggested standards.
<b>UNDP</b>	Investigation guidelines are in place. External assistance may be used; OIOS is mandated to support funds and programmes.	For the executive head, the Investigation Section, OAPR, will investigate and report to OLPS. External and independent persons will be hired either to do a quality assurance review of the investigation or the investigation itself. In the case of head of internal oversight, the case would be referred to either OHR or OIOS depending on the nature of the complaint.	No formal policy. However, anonymous complaints accepted; investigation guidelines make numerous references to confidentiality.	Partially meets JIU suggested standards.
<b>UNFPA</b>	Investigation Section/OAPR/UNDP or OIOS is mandated to support funds and programmes.	Referral would be made to OIOS. Investigation of the conduct of a staff member of the Dept. of Oversight Services would be subject to the general procedures governing investigations.	No formal policy. Fraud Policy in Policies and Procedures Manual contains a confidentiality clause, although not specifically aimed at protection of whistle-blowers. A confidential hotline has recently been established.	Partially meets JIU suggested standards.
<b>UNICEF</b>	OIOS is mandated to support funds and programmes.	OIOS Investigation Division.	No formal policy.	Partially meets JIU suggested standards.
<b>UNHCR</b>	Complex investigation cases are handled either by IGO or the OIOS Investigation Division.	IGO refers to OIOS, as appropriate, possible cases of misconduct implicating senior staff of the Executive Office, including IGO. Currently there is no memorandum of understanding with OIOS relating to investigation support; however, discussions are under way to finalize such a memorandum with OIOS.	The comprehensive IOM/FOM relating to the role and functions and modus operandi of IGO provides adequate safeguards to maintain the confidentiality of any source that reports possible misconduct. Reprisals for reporting possible misconduct to IGO constitute misconduct.	Partially meets JIU suggested standards.
<b>WFP</b>	The Internal Investigation Unit has so far handled all investigations. OIOS is mandated to support funds and programmes.	In the case of officials up to deputy executive head level, the investigations are carried out by the internal investigation function and the report submitted to the Executive Director. In the case of the Executive Director, the Inspector General submits a report to the Secretary-General and the	A draft Whistle-blower Policy has been produced but is currently on hold pending the resolution of legal issues and the release of a similar policy being drafted for the United Nations system.	Partially meets JIU suggested standards.

		FAO Director-General. Alternatively, OIOS or the FAO Inspector General may be requested to carry out the investigation of a complaint against the Executive Director and report to the Secretary-General and the FAO Director-General. In the case of a complaint against a member of the oversight staff, the investigation function conducts the investigation and the Executive Director receives the report.		
<b>SPECIALIZED AGENCIES AND IAEA</b>				
<b>ILO</b>	The Office of Internal Audit and Oversight is mandated to carry out investigations. It has had to resort to outside support from a firm of professional auditors and accountants on one investigation, because of local conditions and a language barrier.	Executive head: needs clarification for all United Nations organizations. The External Auditors could be requested to undertake such an investigation. Oversight staff: due to possible conflicts of interest and to ensure impartiality, there should preferably be an arrangement for investigation by an outside body. Alternatively, Finance or the External Auditors could be requested to investigate the complaint.	Financial rule 14.30 (iii) provides that confidentiality will be respected at all times. No staff member who provides such information will be adversely affected, unless the information was wilfully provided with the knowledge that it was false or with intent to misinform.	Partially meets JIU suggested standards.
<b>FAO</b>	Investigations conducted by the Office of the Inspector-General. The Director-General may establish an Internal Investigatory Committee to advise him in relation to cases involving a staff member's conduct and activities.	Complaints against the Director-General could be investigated by the External Auditor, while complaints against the oversight head would require the Director-General's determination on how to address such complaints.	Administrative circular establishing that confidentiality will be respected by the Office of the Inspector-General and that no reprisal will be taken against staff members providing information.	Partially meets JIU suggested standards.
<b>UNESCO</b>	Resort to specialist expertise as required (say forensic accountants or experts in investigating moral harassment allegations).	Higher officials – by the External Auditor (if they have the capacity) or an independent team reporting directly to them to investigate such allegations. They should take advice from an “independent” oversight committee/board once one is established (one is planned in UNESCO). In the case of a complaint against oversight staff, this would be for the “independent” oversight board to advise and appoint an external investigator. The report would go to the Director-General.	No formal procedure exists but the identity of informant is protected.	Partially meets JIU suggested standards.
<b>ICAO</b>	ICAO will request the External Auditor or JIU to perform the investigations.	Depending on the nature of the complaint, the Council or a subordinate body of the Council could handle the issue. Support could be provided by the External Auditor or JIU as necessary. In the case of oversight staff, the Secretary-General and /or the Council could be involved.	There are no established procedures to receive complaints and ensure the confidentiality of the complaint and the complainant.	Partially meets JIU suggested standards.
<b>WHO</b>	WHO has investigator posts and has conducted a number of investigations. When the in-house capacity is insufficient, external sources are contracted.	The head of IOS has the authority to report to the Executive Board. The head of IOS will contact the Chairperson of the Executive Board and discuss with him or her on how to proceed. Maybe somebody external to WHO would do the investigation. WHO has not established any procedures to investigate the Director-General.	Whistle-blower protection is written into the WHO Financial Rules. Confidentiality clause in Fraud Prevention Policy.	Partially meets JIU suggested standards.
<b>UPU</b>	No complex investigation case handled	No specific rules beyond the Charter of Internal	Charter of Internal Auditing states that the right of	Does not meet the



	up to now.	Auditing.	all staff to communicate confidentially with the internal auditor without fear of reprisal is guaranteed.	JIU suggested standards.
<b>ITU</b>	Investigations are part of the responsibilities of the Internal Auditor.	No established policy.	No established policy.	Does not meet the JIU suggested standards.
<b>WMO</b>	The head of Internal Audit did one investigation.	There is no framework. May request outside expertise.	A general policy on confidentiality is not established at WMO.	Does not meet the JIU suggested standards.
<b>IMO</b>	IMO has not had any complex investigation case. If a case arose, expertise which is not available in-house would be brought in for the specific purpose.	Executive head: depending on the nature of the complaint, the Director of Administration will take the lead. Oversight staff: the Director of Administration would be mandated by the Secretary-General to undertake the investigation and report to him/her.	IMO does not have policies on fraud and theft. Procedures for reporting, handling and investigating such cases are now under consideration.	Does not meet the JIU suggested standards.
<b>WIPO</b>	If sufficient expertise is not available within WIPO, independent external expertise will be brought in.	In the case of a complaint against the Director General it will be the responsibility of member States to examine the matter. In the case of a complaint against oversight staff, the Director General will determine the course of action.	Relevant procedures are being developed.	Does not meet the JIU suggested standards.
<b>UNIDO</b>	The staff of the Oversight Office carry out all fact-finding exercises and investigations. Should it be considered necessary, for example due to the required competence not being available internally, an expert is recruited to work within OCG to provide support.	OCG is free to carry out any investigation and no restriction has ever been placed on the scope of its work. The External Auditor will also conduct investigations, depending on the nature of the allegations. In the case of oversight staff, depending on the nature of the allegations, a senior-level staff or an external expert could carry out the work. The report, under all circumstances, would go to the executive head.	The assurance of confidentiality is contained in the OCG and OCG/Internal Audit Group charters. A formal whistle-blower protection policy, based on best practices and that recently introduced at United Nations Headquarters in New York, is under consideration for introduction in UNIDO.	Does not meet the JIU suggested standards.
<b>UNWTO</b>				
<b>IAEA</b>	The IAEA Administrative Manual makes a provision for the Director, OIOS, to request the United Nations OIOS to conduct investigations if and when required.	The Director General is not excluded from the scope of the audits conducted by the internal and external auditors. Investigation of all oversight staff can be undertaken by the United Nations OIOS or by other independent internal or external investigators appointed by the Director General and reporting to him.	No whistle-blower policy.	Partially meets JIU suggested standards.

**Suggested JIU standards:**

Established capacity with qualified and experienced professionals that has:

- (a) Procedures established for confidential reporting and their wider publicity;
- (b) Adequate authority to initiate investigations without interference from the top management;
- (c) Independent reporting procedures;
- (d) Investigation professionals not subject to any rotation policy;
- (e) Established policy for the protection of whistle-blowers.

## Annex IV

### Coordination of internal/external oversight functions and the follow-up mechanism

Organization	Coordination mechanism for internal oversight components/with the external oversight bodies	Follow-up to the internal oversight recommendations	Peer review of the internal oversight functions	Comments
<b>UNITED NATIONS, ITS FUNDS AND PROGRAMMES</b>				
<b>United Nations</b>	<p>All components under the authority of the USG/OIOS. Internal coordination through the Office of the USG/OIOS.</p> <p>External coordination through the annual tripartite meeting of OIOS, BOA and JIU.</p>	<p>OIOS submits semi-annual report on the implementation of the recommendations to the Secretary-General and the heads of the various departments.</p> <p>Twice a year, OIOS reports to the General Assembly on the status of implementation of recommendations.</p>	Periodic review by BOA.	Fully meets the JIU suggested standards.
<b>UNDP</b>	<p>Internal: Management Review and Oversight Committee (MROC) (equivalent to audit committee) meets quarterly. An oversight meeting is held on a biweekly basis by the Administrator and includes the Directors of OAPR and EO.</p> <p>External: planning, coordination and sharing of reports with other agency and United Nations oversight bodies are done on a case-by-case basis, e.g. OIOS, JIU.</p>	<p>OAPR monitors and reports on the implementation status of audit recommendations using web-based database – Comprehensive Audit and Recommendation Database System (CARDS).</p> <p>Annual report on follow-up on audit recommendations submitted by Administrator to the Executive Board and reviewed by MROC.</p>	No formal internal system, however there is an ad hoc system of evaluation; annual review of OAPR by Board of Auditors.	Partially meets JIU suggested standards.
<b>UNFPA</b>	<p>Internal: the Oversight Committee is the main coordinating mechanism.</p> <p>External: no formal coordinating mechanism.</p>	<p>Recommendations are tracked through a database (CARDS). DOS is considering the implementation of a comprehensive audit/evaluation database to enter and track findings and recommendations.</p> <p>Non-implementation of audit and Policy Application Review (PAR) recommendations are reported to the Oversight Committee chaired by the Executive Director. Non-implementation of thematic evaluation recommendations is reported to the Programme Committee.</p>	<p>The performance of DOS is measured using the annual Office Management Plan against organization-wide priority outputs and linked to specific outputs for DOS.</p> <p>The self-assessment of performance of the audit and evaluation elements of the oversight function is provided in the annual and biannual reports to the Executive Board.</p>	Partially meets the JIU suggested standards.
<b>UNICEF</b>	Internal: OIA coordinates its activities with the Evaluation Office by sharing of internal audit reports. The Director of OIA is a member of the Evaluation Committee and the Director of the Evaluation Office is a member of the Audit	<p>For evaluation, no formal procedures are in place. A tracking system is being set up and will be functional in 2006.</p> <p>OIA has established a database to track the</p>	The Institute of Internal Auditors conducted an assessment of OIA in 2001–2002.	Partially meets the JIU suggested standards.



	<p>Committee.</p> <p>External: there is no formal mechanism.</p>	<p>disposition of each audit recommendation. The database is accessible to all regional and headquarters Directors (who can add their comments) and several other selected senior officers at headquarters. The Audit Committee monitors implementation of audit recommendations through a status report on outstanding recommendations provided to it.</p>	<p>In January 2006, an independent panel will conduct a peer review of the evaluation function of UNICEF.</p>	
<b>UNHCR</b>	<p>Internal: the oversight committee is the main coordinating body for internal oversight.</p> <p>External: annual tripartite meeting of OIOS, BOA and JIU.</p>	<p>The status of audit recommendations implementation is regularly reported to the UNHCR Oversight Committee. Twice a year, OIOS reports to the General Assembly on the status of implementation of recommendations. IGO provides periodic reports to the Oversight Committee on the status of the implementation of the inspection recommendations.</p>	<p>Following the Institute of Internal Auditors (IIA) standards the UNHCR Audit Service conducted a self-assessment in 2005, which was subject to an external validation by UNICEF Internal Audit. The results were submitted to the UNHCR Oversight Committee in December 2005.</p>	<p>Partially meets the JIU suggested standards.</p>
<b>WFP</b>	<p>Internal: since both the internal audit function and the inspections and investigations function reside in the Oversight Services Division (OSD), coordination is ensured through participation in joint annual planning and a risk management exercise. Information-sharing meetings are held with the Office of Evaluation on a needs basis.</p> <p>External: Regular coordination meetings are held between the internal and external auditors.</p>	<p>Report to internal Audit Committee on quarterly basis and to the Executive Director on annual basis and to the Executive Board on biennial basis.</p>	<p>The performance of oversight services units are measured at three levels:</p> <ul style="list-style-type: none"> <li>– Key performance indicators (KPIs) for internal review</li> <li>– Targets established for performance measurement against Management Plan;</li> <li>– External reviews of the oversight services.</li> </ul> <p>OSD has been reviewed by Bentley Jennisson, an audit firm in the United Kingdom through a benchmarking study and will be reviewed by IIA in 2006.</p>	<p>Partially meets the JIU suggested standards.</p>
<b>SPECIALIZED AGENCIES AND IAEA</b>				
<b>ILO</b>	<p>Internal: the audit, inspection and investigation component is under the same umbrella. It has been agreed between the new evaluation unit and IAO to share internal oversight reports.</p> <p>External: Internal Audit provides a copy of its biennial annual work programme to the External Auditor. Likewise the External Auditor informs Internal Audit of his/her planned visits to external offices.</p>	<p>Follow-up and reporting mechanisms established and annual reporting on the status of the recommendations to the governing body (PFAC).</p> <p>The Committee on Accountability examines cases of persistent failure on the part of an official to respect the recommendations of either the External or Internal Auditor which have been accepted by the Office, establish the facts, where necessary, and refer such cases to the unit responsible for disciplinary matters.</p>	<p>The External Auditor – in conjunction with his/her work for reporting on the financial statements of ILO – examines the effectiveness and reliability of the internal control system, of which internal audit forms part.</p>	<p>Partially meets the JIU suggested standards.</p>

<b>FAO</b>	Internal: internal audit and investigations under OIG. Frequent liaison between OIG and Evaluation Service: shared workplans.  External: frequent liaison between OIG and External Auditor including shared workplans.	All internal audit recommendations tracked in database and a follow-up exercise performed in June and December. Results of the follow-up are reported to the Director-General and the Finance Committee. Reports and statistics also presented to the Audit Committee.	The External Auditor undertook a review of the internal oversight functions in 2001.	Partially meets the JIU suggested standards.
<b>UNESCO</b>	Internal: all components under the Internal Oversight Service (IOS).  External: periodic meetings with the External Auditor.	IOS has a tracking system for both audit and evaluation reports. The status is reported to the Oversight Committee and in summarized form to the Executive Board.	A two-week self-assessment of the internal audit function. This will be subject to external validation in 2006 by IIA. A peer review of the evaluation function in January 2006 is proposed.	Partially meets the JIU suggested standards.
<b>ICAO</b>	Internal: EAO is a single unit. External: the External Auditor and Chief/EAO meet on a regular basis to coordinate their activities.	A follow-up on the status of implementation of outstanding recommendations is performed by EAO twice a year.  A summary of the status of implementation of outstanding recommendations is presented to the Secretary-General and to the Council at least once a year.	The External Auditor has reviewed the performance every 4-5 years.	Partially meets the JIU suggested standards.
<b>WHO</b>	Internal: regular contacts and periodic meetings with monitoring function.  External: periodic meetings with the External Auditor.	IOS monitors the implementation of all its recommendations and verifies the reported implementation during subsequent visits.	The periodic Quality Assessment Review required by IIA standards has been scheduled for August 2006.	Partially meets the JIU suggested standards.
<b>UPU</b>	Internal: Internal Audit Committee is the coordination mechanism.  External: regular communication with the External Auditor.	Recommendations are followed and the status of the recommendations is included in the annual report to the Council of Administration.	No self-assessment.	Partially meets the JIU suggested standards.
<b>ITU</b>	Internal: single oversight unit.  External: Internal Auditor coordinates audit activities by cooperating and liaising with the External Auditor.	The Secretary-General ensures that all audit recommendations are responded to and implemented.	ITU External Auditors reviewed the functioning of the internal audit in 2002 and in 2005.	Partially meets the JIU suggested standards.
<b>WMO</b>	Internal: single oversight unit.  External: meetings with the External Auditor.	IAIS maintains a database to follow up audit recommendations.  Under the new set-up, the Audit Committee is to be informed regularly on the status of implementation by IAIS.	No peer review.	Partially meets the JIU suggested standards.
<b>IMO</b>	Internal: single oversight unit.  External: MSA & IOS coordinates its plans and activities with the External Auditor.	MSA & IOS undertakes periodic follow-up audit of recommendations and a final report is submitted to the Secretary-General. The External Auditor verifies the implementation of the recommendations.	Periodic audit by the External Auditor.	Partially meets the JIU suggested standards.

<b>WIPO</b>	Internal: most components are grouped within IAOD.  External: periodic meeting with the External Auditors.	Regular follow-up of the recommendations.	Recent review by JIU.	Partially meets the JIU suggested standards.
<b>UNIDO</b>	Internal: all internal oversight functions report to the Comptroller General who coordinates the work of the component units.  External: work of OCG is coordinated internally and with the External Auditors.	Semi-annual report to the Director-General includes a status report on the implementation of the recommendations. The OCG annual report to the Industrial Development Board contains a summary of the recommendations made and their status.	Review is undertaken by the External Auditors.	Partially meets the JIU suggested standards.
<b>UNWTO</b>				
<b>IAEA</b>	Internal: all the components under the Director of OIOS.  External: regular meeting with the External Auditor and sharing of the work programme.	Regular follow-up and a system of reporting on the status of implementation to the Director General.	Periodic reviews were undertaken by External Auditors, and a quality assurance review is planned.	Partially meets the JIU suggested standards.

**Suggested JIU standards:**

- Coordination:
- (a) Consolidation of all oversight components under a single independent oversight body;
  - (b) Clear supervisory authority to the head of internal oversight body;
  - (c) Establishment of an independent external oversight board.
- Follow-up to the recommendations:
- (a) Setting up of proper database for the recommendations;
  - (b) Semi-annual reminder to all line managers of the pending recommendations, with a copy to the executive head;
  - (c) Annual report to include a summary of the pending recommendations to the oversight board.
- Peer review:
- (a) Establishment of key performance indicators for the internal oversight function and adoption of established professional standards;
  - (b) Independent verification or peer review of the adherence to the accepted standards, at least once in every five years.

## Annex V

### Heads of internal oversight

Organization	Selection procedures for the head of internal oversight unit	Consultation/approval by the governing body for appointment and removal	Term of office	Comments
<b>UNITED NATIONS, ITS FUNDS AND PROGRAMMES</b>				
<b>United Nations</b>	The Secretary-General appoints USG/OIOS on the basis of a widely circulated job profile to Member States, shortlist and interview.	Prior approval by the General Assembly is mandatory.	One non-renewable term for five years.	Fully meets the suggested JIU standards.
<b>UNDP</b>	UNDP Administrator appoints the heads of OAPR and EO based on external vacancy announcement.	No formal consultation made with governing body for approval or otherwise.	Renewable UNDP fixed-term contract and no limits on the renewal.	Does not meet the JIU suggested standards.
<b>UNFPA</b>	Selection of the head of DOS is made either through reassignment (managed internally) or through external recruitment.	No consultation with the Governing Board.	Renewable UNFPA fixed-term contract and no limits on the renewal.	Does not meet the JIU suggested standards.
<b>UNICEF</b>	The Directors of both the Office of Internal Audit and the Evaluation Office are selected according to normal staff member recruitment policies.	No consultation with the Governing Board. The Directors serve at the pleasure of the Executive Director and may be redeployed within UNICEF. The employment contract can be terminated any time at the discretion of the Executive Director.	According to the duration of the staff member in that post. The staff member may have a permanent or a fixed-term contract.	Does not meet the JIU suggested standards.
<b>UNHCR</b>	Chief of UNHCR Audit Services is appointed by USG/OIOS. The High Commissioner appoints the Inspector-General.	No approval by the Executive Committee for the Chief of Audit Services. The Inspector-General may be removed by the High Commissioner for just cause and with due process and exceptionally following consultations with the Executive Committee.	Renewable United Nations fixed-term contracts for Chief of UNHCR Audit Services. The Inspector-General is appointed for a non-renewable term no longer than five years. Preference would be given to individuals for whom the post would be their last assignment before retirement.	Does not meet the JIU suggested standards.
<b>WFP</b>	Selection through a competitive process of vacancy announcement and interview.	The Executive Board is informed of the appointment and dismissal.	Renewable WFP fixed-term contract and no limits on the renewal.	Partially meets the JIU suggested standards.
<b>SPECIALIZED AGENCIES AND IAEA</b>				
<b>ILO</b>	The Director-General through a vacancy announcement and selection appoints the Chief Internal Auditor. Chief of Evaluation is appointed internally.	Appointment and dismissal of the Chief Internal Auditor has to be endorsed by the governing body. No such procedures for the Chief of Evaluation.	Permanent contract.	Partially meets the JIU suggested standards.

<b>FAO</b>	The Director-General appoints the Inspector-General on the basis of a vacancy announcement, shortlist of candidates and interview.	Consultation with the Finance Committee before the appointment and termination of the Inspector-General of FAO.	Renewable FAO fixed-term contract and no limits on the renewal.	Partially meets the JIU suggested standards.
<b>UNESCO</b>	The Director-General appoints the Director of Internal Oversight Services through a competitive selection.	Consultation with the Executive Board.	Renewable UNESCO fixed-term contract and no limits on the renewal.	Partially meets the JIU suggested standards.
<b>ICAO</b>	Procedures for recruitment for all D-1 posts are specific in the ICAO Service Code. The Council in Decision C-DEC 149/12 specified geographical rotation as a criterion for the appointment to the post of Chief/EAO.	Approval of the President of the Council is required for appointment of posts at the D-1 and D-2 levels.	A fixed five-year term has been approved by the Council for the post.	Partially meets the JIU suggested standards.
<b>WHO</b>	The Director-General appoints a technically qualified head of IOS.	Appointment and termination require consultation with the Executive Board.	Renewable WHO fixed-term contract and no limits on the renewal.	Partially meets the JIU suggested standards.
<b>UPU</b>	The Director-General appoints the Internal Auditor.	Consultation with the Council of Administration prior to the appointment or termination of the Internal Auditor.	Renewable UPU fixed-term contract and no limits on the renewal.	Partially meets the JIU suggested standards.
<b>ITU</b>	Recruitment of head of Internal Audit follows the recruitment rules and procedures in accordance with the ITU Staff Regulations and Rules; same for dismissal.	No consultation or approval by the governing body.	Renewable ITU fixed-term contract and no limits on the renewal.	Does not meet the JIU suggested standards.
<b>WMO</b>	The Secretary-General appoints the Chief of IAIS through a competitive process.	Approval of the President of the WMO is required.	Renewable WMO fixed-term contract and no limits on the renewal.	Partially meets the JIU suggested standards.
<b>IMO</b>	The Secretary-General appoints the head of MSA & IOS.	Does not require consultation with and approval by the Council or Assembly.	Renewable IMO fixed-term contract and no limits on the renewal.	Does not meet the JIU suggested standards.
<b>WIPO</b>	The Director-General appoints the Chief of IAOD through a competitive process.	The advice of the WIPO Audit Committee and Coordination Committee are taken into account.	Fixed term of four years, renewable term for an additional term of four years. Non-eligible for any further employment at WIPO.	Partially meets the JIU suggested standards.
<b>UNIDO</b>	The Director-General appoints the Comptroller General. Appointment of all staff rests with the Director-General in accordance with the UNIDO constitution.	The Director-General may, at his/her discretion hold informal consultations with the member States. The Comptroller General may be prematurely removed for a valid cause after consultation with the Industrial Development Board.	The appointment of the Comptroller General is for a duration of 10 years, comprising two terms of five years each; the duration of each appointment shall not run concurrently with the term of office of the Director-General.	Does not meet the JIU suggested standards.
<b>UNWTO</b>				
<b>IAEA</b>	The Director General appoints the Director of OIOS based on an external vacancy announcement and selection.	The Director General consults with members of the Board for appointment of posts in the higher levels (D-1 and above). This includes the post of Director, OIOS.	Initial fixed-term appointment for three years, extendable to five years. In exceptional cases it may be extended to seven years.	Partially meets the JIU suggested standards.

**Suggested JIU standards:**

- (a) Selection on the basis of widely publicised vacancy announcement and competitive process;
- (b) Appointment and removal with the prior consultation/approval of the governing body;
- (c) Removal for just cause;
- (d) Fixed tenure up to a maximum of five to seven years, with no expectation of any employment within the same agency at the end of the term.



## Annex VI

### Reporting responsibilities of the internal oversight bodies in the United Nations system

Organization	Reporting to whom?	Periodic reporting/review of the internal oversight reports and activities to/by the governing body	Comments
<b>UNITED NATIONS, ITS FUNDS AND PROGRAMMES</b>			
<b>United Nations</b>	USG/OIOS reports to the General Assembly, through the United Nations Secretary-General. OIOS reports are submitted directly to the General Assembly and the Secretary-General's comments are submitted in a separate report.	Summary report of OIOS activities is submitted annually to the General Assembly. OIOS also submits separate reports on specific issues to the Assembly. The reports are discussed by the Fifth Committee of the Assembly, CPC and the specialized intergovernmental bodies such as the Commission on Human Rights, executive bodies of relevant funds and programmes, and the regional economic commissions.	Meets the current standards, but does not fully meet the suggested JIU standards.
<b>UNDP</b>	OAPR and EO report to the UNDP Administrator.	Annual reports prepared by each oversight function are addressed from the Administrator to the Executive Board, presented by the Associate Administrator and published as Executive Board documents.	Partially meets the JIU suggested standards.
<b>UNFPA</b>	DOS reports to the Executive Director.	DOS issues an annual report on audit and oversight activities and a biannual report on evaluation activities, which are presented to the Executive Board.	Partially meets the JIU suggested standards.
<b>UNICEF</b>	OIA and EO report to the Executive Director.	OIA presents an independent annual report to the Executive Board. EO submits an annual report to the Executive Director.	Partially meets the JIU suggested standards.
<b>UNHCR</b>	The UNHCR Audit Service reports to USG/OIOS, whereas IGO reports to the High Commissioner.	An annual high-level summary report on internal audit is submitted to the Standing Committee and to the Executive Committee. This is also included in the OIOS annual report submitted to the General Assembly. IGO submits the full text of the inspection reports to the Executive Committee and to the staff.	Partially meets the JIU suggested standards.
<b>WFP</b>	The Oversight Division (OSD) reports to the Executive Director.	The Director, OSD, reports annually to the Executive Director and the Audit Committee and biennially to the Executive Board. The full Executive Board reviews the biennial report of the Inspector-General.	Partially meets the JIU suggested standards.
<b>SPECIALIZED AGENCIES AND IAEA</b>			
<b>ILO</b>	The Office of Internal Audit and Oversight (OIA) reports to the Director-General, as does the Evaluation Unit.	Only OIA submits an annual report summarizing the most significant findings and recommendations to the Governing Body, through the Director-General, with his/her comments. The report is reviewed by, and discussed at, the Programme, Financial, and Administrative Committee sitting of the Governing Body.	Partially meets the JIU suggested standards.

<b>FAO</b>	OIG reports to the Director-General.	The Inspector-General submits quarterly reports to the Director-General as well as an annual report on its activities. Copies of quarterly/annual reports are provided to the FAO Audit Committee with a list of all individual reports issued. At the discretion of the Inspector-General, any internal oversight report may be submitted to the Finance Committee, together with the Director-General's comments thereon, and be made available to other interested member States.	Partially meets the JIU suggested standards.
<b>UNESCO</b>	The Internal Oversight Service reports to the Director-General.	An annual accountability report is provided to the Director-General summarizing significant oversight findings, recommendations and action taken in response. This unchanged report is made available to Executive Board members and permanent delegates.	Partially meets the JIU suggested standards.
<b>ICAO</b>	EAO reports to the Secretary General.	An annual Performance Assessment Report is presented to the Council summarizing the findings of EAO activities for the year.	Partially meets the JIU suggested standards.
<b>WHO</b>	IOS reports to the Director-General. The head of IOS may, at his/her request, report to the Executive Board.	IOS submits a summary report annually to the Director-General. This report is submitted to the World Health Assembly together with comments deemed necessary.	Fully meets the JIU suggested standards.
<b>UPU</b>	The Internal Auditor reports to the Director General.	Annual report is submitted to the Council of Administration for consideration. The Council of Administration notes the conclusions and recommendations.	Partially meets the JIU suggested standards.
<b>ITU</b>	The Internal Auditor reports to the Secretary-General.	An annual report on the internal audit activities is submitted to the Council.	Partially meets the JIU suggested standards.
<b>WMO</b>	IAIS reports to the Secretary-General.	IAIS prepares an annual report to be submitted to the Executive Council with the appropriate comments of the Secretary-General. All audit reports issued by IAIS are at the disposal of the Executive Council upon request.	Partially meets the JIU suggested standards.
<b>IMO</b>	MSA & IOS reports to the Secretary-General.	A summary report on the activities undertaken during the six-month period is submitted to the Secretary-General and is subsequently summarized in the report to the Council on the work programme and budget.	Partially meets the JIU suggested standards.
<b>WIPO</b>	The Director, IAOD, is responsible to the Director General, has access to the Chair of the General Assembly and provides support services to the proposed Audit Committee.	IAOD submits copies of all final audit reports to the Audit Committee and an annual summary report to the WIPO General Assembly.	Partially meets the JIU suggested standards.
<b>UNIDO</b>	OCG reports to the Director-General.	OCG annual report contains overview information of major activities undertaken. Brief information is also contained in the UNIDO Annual Report.	Partially meets the JIU suggested standards.
<b>UNWTO</b>			
<b>IAEA</b>	OIOS reports to the Director General.	Only major findings on programme evaluation are reported to the Board. The audit and investigations findings are not reported to the Board. Only the Director General has the discretion to determine what is to be reported to the Board.	Partially meets the JIU suggested standards.

**JIU suggested standards:**

- (a) Internal oversight reporting to the executive heads and access, at the discretion of the internal oversight head, to an external oversight board;
- (b) Independent submission of the summary report of the internal oversight annually to the oversight board, with the separate comments of the executive head;
- (c) Review of the oversight report by the external oversight board;
- (d) Provision of individual internal audit reports to the oversight board, on request;
- (e) The provision of investigation reports to the oversight board, at the discretion of the internal oversight head.

## Annex VII

## Budget comparison

Agencies	2004-2005 biennium (Millions of US dollars) <sup>22</sup>		Percentage of (b) to (a)	Within/outside the JIU range
	Total resources managed (a)	Internal oversight budgets (b)		
<b>UNITED NATIONS, ITS FUNDS AND PROGRAMMES</b>				
United Nations	12 239.0 <sup>23</sup>	58.8	0.48	Below the range
UNDP	7 132.0	18.5	0.26	Below the range
UNFPA	557.0	4.5	0.81	Within the range
UNICEF	4 868.0	20.0	0.41	Below the range
UNHCR	2 421.0	9.2	0.38	Below the range
WFP	5 990.0	12.1	0.20	Below the range
<b>SPECIALIZED AGENCIES AND IAEA</b>				
ILO	904.0	5.5	0.61	Within the range
FAO	1 335.0	9.6	0.72	Above the range
UNESCO	1,235.0	5.9	0.48	Below the range
ICAO	445.0	1.4	0.31	Below the range
WHO	3 983.0	5.2	0.13	Below the range
UPU	221.0	0.28	0.13	To in-source
ITU	253.0	0.56	0.22	Below the range
WMO	146.7	0.57	0.39	To in-source
IMO	140.3	0.81	0.58	To in-source
WIPO	402.3	1.02	0.25	Below the range
UNIDO	426.0	4.2	0.99	Above the range
UNWTO	27.0	Nil	Not applicable	None (outsourced)
IAEA	796.0	4.6	0.58	Below the range

**Suggested JIU range:**

Total resources of US\$ 250 million or less – should in-source internal oversight. Not enough resource base to justify establishing an in-house oversight unit.

Total resources of US\$ 250 million to US\$ 800 million – 0.60 to 0.90 per cent to be spent on internal oversight.

Total resources of US\$ 800 million or more – 0.50 to 0.70 per cent as above, as there are economies of scale that should allow for a slightly lower range.

<sup>22</sup> All resources/budgets converted to US dollars. The conversion rates are US\$ 1 = Sw F 1.30, US\$ 1 = 0.83 euros and US\$1= £0.53.

<sup>23</sup> Total resources for comparison include United Nations regular and extrabudgetary budgets, all peacekeeping missions for the two-year period (1 July 2003 to 30 June 2005), the International Criminal Tribunal for Rwanda (ICTR), the International Criminal Tribunal for the former Yugoslavia (ICTY), UNU, the United Nations Framework Convention on Climate Change (UNFCCC) and the United Nations Convention to Combat Desertification (UNCCD).

## Annex VIII

## Total budget/internal oversight Professional staff strength

Agencies	<i>(a)</i> Total resources of the organization for the 2004–2005 biennium (millions of US dollars)  <i>(b)</i> Total staff members employed	Total internal oversight Professional staff on board (vacant posts in parenthesis)  <i>(c)</i> Internal audit <i>(d)</i> Investigation <i>(e)</i> Evaluation	Average annual budget per auditor (millions of US dollars)  <i>(a) to (c)</i>	Average total staff per investigator.  <i>(b) to (d)</i>	Average annual budget per evaluator (millions of US dollars)  <i>(a) to (e)</i>	Within/outside JIU suggested range
<b>UNITED NATIONS, ITS FUNDS AND PROGRAMMES</b>						
<b>United Nations</b>	12 239.0  33 141	Internal audit – 82 Investigations – 37 Monitoring/evaluation and management consulting – 16 <b>Total – 135 (14)</b>	75	896	382	Within the range for internal audit and investigations  Outside the range for evaluations
<b>UNDP</b>	7 132.0  7043	Internal audit – 24 Investigations – 4 Evaluation – 9 <b>Total – 37 (10)</b>	149	1 760	396	Outside the range
<b>UNFPA</b>	557.0  972	Audit specialists – 10 Evaluation advisers – 4 <b>Total – 14 (4)</b>	28	Nil	70	Outside the range
<b>UNICEF</b>	4 868.0  9 346	Internal audit – 18 Investigation Specialist – 1 Evaluation – 8 <b>Total – 27 (1)</b>	135	9 346	304	Outside the range
<b>UNHCR</b>	2 421.0  5 444	Internal audit – 13 Investigations – 6 Inspections – 6 Evaluation – 5 Ethics and Diversity Officer – 1 <b>Total – 31 (3)</b>	93	907	242	Within the range

<b>WFP</b>	5 990.0 11 752	Internal audit – 11 Inspection and investigations – 4 Evaluations – 7 <b>Total – 22</b>	272	2 938	427	Outside the range
<b>SPECIALIZED AGENCIES AND IAEA</b>						
<b>ILO</b>	904.0 2 500	Internal audit – 4 Investigations – 0 Evaluation – 3 <b>Total – 7</b>	113	Nil	151	Outside the range for internal audit and investigation  Within the range for evaluation
<b>FAO</b>	1 335.0 3 194	Internal audit – 13 Investigations – 3 Evaluation – 8 <b>Total – 24 (2)</b>	51	1 064	83	Outside the range for internal audit and evaluation  Within the range for investigation
<b>UNESCO</b>	1 235.0 2335	Internal audit – 10 Investigations – nil Evaluation – 6 <b>Total – 16 (4)</b>	62	Nil	103	Within the range for internal audit  Outside the range for investigation and evaluation
<b>ICAO</b>	445.0 2713	Internal Audit and Evaluation Officer – 1 Evaluation Officer – 1 <b>Total – 2 (1)</b>	223	Nil	223	Outside the range
<b>WHO</b>	3 983.0 3083	Internal audit – 11 Investigations – 2 Evaluation – 4 <b>Total – 17 (2)</b>	181	1542	497	Outside the range
<b>UPU</b>	221.04 217	1 (part time at 80 per cent)	110	Nil	Nil	Within the range for internal audit
<b>ITU</b>	253.0 812	Internal audit – 2	63	Nil	Nil	Within the range for internal audit
<b>WMO</b>	146.7 254	Internal audit – 1	74	Nil	Nil	Within the range for internal audit
<b>IMO</b>	140.3 359	Internal oversight officers – 2	35	Nil	Nil	Outside the range for internal audit

<b>WIPO</b>	402.3 1 200	Internal audit – 2 Investigations – 1 Evaluation – 1 <b>Total – 4 (2)</b>	101	1 200	201	Within the range
<b>UNIDO</b>	426.0 709	Internal audit – 3 Evaluation – 3 <b>Total – 6</b>	71	Nil	71	Within the range for internal audit  Outside the range for evaluations
<b>UNWTO</b>	27.0 95	Nil	Nil	Nil	Nil	
<b>IAEA</b>	796.0 2 311	Internal audit – 5 Investigations – 1 Evaluation – 3 Management services – 2 <b>Total – 11</b>	80	2 311	133	Within the range for internal audit and evaluation  Outside the range for investigations

**Suggested JIU range:**

- (a) Average annual budget per auditor US\$ 60–110 million.
- (b) Average total staff per investigator 700–1,500.
- (c) Average annual budget per evaluator US\$ 125–250 million.

## Annex IX

## Accountability framework

Organization	Establishment of ethics function, composition and terms of reference	Financial disclosure requirement for managers and procurement staff	Comments
<b>UNITED NATIONS, ITS FUNDS AND PROGRAMMES</b>			
<b>United Nations</b>	The Secretary-General proposed to the General Assembly in November 2005 the establishment of an ethics office to assist him “in ensuring that all staff members observe and perform their functions in consistency with the highest standards of integrity, as required by the Charter of the United Nations”. The main responsibilities include (a) administering the Organization’s financial disclosure programme; (b) protection of staff against retaliation for reporting misconduct; (c) providing confidential advice and guidance to staff on ethical issues; and (d) developing standards, training and education on ethical issues.	New Secretary-General’s bulletin (ST/SGB/2005/19) promulgated in November 2005. The following staff members have an obligation to file financial disclosure statements: all staff members at the ASG level and above, all procurement officers or those whose principal occupational duties are procurement of goods and services, and staff members whose principal duties relate to the investment of assets of the United Nations, the United Nations Joint Staff Pension Fund or any other accounts. The requirement is applicable to their dependent children and their spouses.  The General Assembly has before it for consideration the Secretary-General’s report on amendments to the Staff Regulations (A/60/365), in which the Secretary-General has requested that the General Assembly approve a change to staff regulation 1.2(n) which would broaden financial disclosure requirements to include staff at the L-6, D-1, L-7 and D-2 level and additional staff as deemed necessary by the Secretary-General.	In process; expected to meet the JIU suggested standards.
<b>UNDP</b>	United Nations Code of Conduct applies to all UNDP staff. No ethics committee.	ASG and above submit personal disclosure statements.	Partially meets the JIU suggested standards.
<b>UNFPA</b>	UNFPA follows the Standards of Conduct as adopted by the ICSC in 2001. UNFPA does not have a separate ethics committee.	Pursuant to staff regulation 1.2(n), all staff members at the ASG level and above shall be required to file financial disclosure statements upon appointment and, thereafter, on an annual basis in respect of themselves and their dependent children.	Partially meets the JIU suggested standards.
<b>UNICEF</b>	UNICEF staff members are guided by the principles of the 2001 Standards of Conduct by ICSC. There is no ethics committee.	All UNICEF staff are required to adhere to the United Nations Staff Regulations and Rules, 2001 Standards of Conduct by ICSC as well as UNICEF policy. Their basic duties and obligations and standards of conduct as international civil servants are reiterated in chapter I of the UNICEF Human Resources Policy	Partially meets the JIU suggested standards.



		and Procedure Manual. While UNICEF does not have an ethics committee, instances of staff ethical conduct and misconduct are dealt with by the Policy and Administrative Law Section in the Division of Human Resources.	
<b>UNHCR</b>	UNHCR does not have an ethics committee per se. However, a Code of Conduct Task Force established in 2003 was renamed Ethics Forum in 2005 and includes management and staff council representatives.	ASG and above (three staff members) submit personal financial disclosure statements. In the light of the recently promulgated Secretary-General's bulletin and the General Assembly decision, UNHCR is reviewing mechanisms to address this.	Does not meet the JIU suggested standards.
<b>WFP</b>	WFP follows the ICSC Standards of Conduct. WFP conducted a gap analysis for ethics and a draft code of conduct is in circulation and will be issued by the end of 2005. An ethics committee is being referred to in this.	A draft financial disclosure policy is under review, in which all staff with delegated authority or spending authorization of US\$ 200,000 or more, all country directors, and all staff at levels D-2 and above will be required to submit financial disclosure statements.	Partially meets the JIU suggested standards.
<b>SPECIALIZED AGENCIES AND IAEA</b>			
<b>ILO</b>	The ICSC Standards of Conduct are posted on the ILO Human Resources Division intranet for the attention of all officials. Currently, a Task Team convened by the Director-General to examine a number of issues relating to ethics and accountability, is reviewing a draft ILO circular to all officials on ethical disclosures – conflict of interest.	The circular being reviewed proposes financial disclosure by officials at D-1 level and above, External Office Directors, the Chief of the Treasury and Accounts Branch, the Chief of the Treasury Operations Section, Contract Committee members, procurement officials and any other official designated by the Director-General.	Partially meets the JIU suggested standards.
<b>FAO</b>	No ethics committee.	No financial disclosure requirement for senior staff.	Does not meet the JIU suggested standards.
<b>UNESCO</b>	UNESCO is about to relaunch a Code of Conduct and to develop an ethics policy, supported by ethics training. There is no ethics committee at present.	Not required at present but this will most likely be an important feature of the ethics policy.	Does not meet the JIU suggested standards.
<b>ICAO</b>	There is no ethics committee in ICAO. The Code of Conduct is provided in the Service Code, which is approved by the ICAO Council.	There are no established policies and procedures that require senior staff members to submit personal financial disclosure statements.	Does not meet the JIU suggested standards.
<b>WHO</b>	Ethics officer post is being established.	The "declaration of interest" form requires specific personal financial information for staff above D-1 level.	Partially meets the JIU suggested standards.
<b>UPU</b>	Conduct is covered by the Staff Regulations. UPU refers to and applies the ICSC Standards of Conduct.	No financial disclosure requirement for senior staff.	Does not meet the JIU suggested standards.
<b>ITU</b>	As a complement to the Staff Regulations and Staff Rules, the ICSC Standards of Conduct have been promulgated since 2002 making it mandatory for all staff.	No financial disclosure requirement for senior staff.	Does not meet the JIU suggested standards.
<b>WMO</b>	A task team is working on an ethics code.	No financial disclosure requirement for senior staff.	Does not meet the JIU suggested standards.
<b>IMO</b>	The Code of Conduct for the staff was established and provided for under article 1 of the Staff Regulations and Rules. IMO does not have an ethics committee.	No financial disclosure requirement for senior staff.	Does not meet the JIU suggested standards.

<b>WIPO</b>	Staff Regulations and Rules, ICSC Standards of Conduct. Ethics committee not established.	Relevant policy and procedures prepared by WIPO being reviewed by member States.	Does not meet the JIU suggested standards.
<b>UNIDO</b>	UNIDO adheres to the ICSC Standards of Conduct. No ethics committee; however, consideration is being given to the establishment of such, taking into account best practices within and outside the United Nations system.	No financial disclosure requirement for senior staff, however this is under consideration taking into account best practices within and outside the United Nations system.	Does not meet the JIU suggested standards.
<b>UNWTO</b>			
<b>IAEA</b>	The Agency adopted the ICSC Standards of Conduct and compliance with these standards is required under the Staff Rules. The Agency has no ethics committee.	No financial disclosure requirement for senior staff.	Does not meet the JIU suggested standards.

**Suggested JIU standards:**

Ethics function:

- (a) Clear terms of reference and composition;
- (b) Establishment of an ethics officer at D-1/ P-5 level;
- (c) Establishment of policies and standards of ethics and wider publicity;
- (d) Organizing training and workshops on ethics for all staff;
- (e) Providing guidance on ethical issues.

Financial disclosure statement:

- (a) Established financial disclosure requirements for all staff above D-1 level and all procurement staff, treasury and Professional-level oversight staff;
- (b) Filing of the financial statements to the ethics office(r);
- (c) Review of the financial disclosure statements by the ethics office(r).