



Message from the Office of Internal Oversight Services

Message from Inga-Britt Ahlenius Under-Secretary-General Office of Internal Oversight Services



UN Photo/Evan Schneider

I am pleased to report on the management and performance challenges facing the Secretariat as seen from the point of view of my Office in the conduct of its oversight work.

The role of internal oversight in the United Nations context is mandated by the General Assembly in its decision to establish an independent entity to enhance oversight in the Organization. The Office of Internal Oversight Services (OIOS) is there to assist the Secretary-General in fulfilling his oversight responsibilities, in his capacity as the Chief Administrative Officer, in respect of the resources and staff of the Organization. OIOS currently consists of internal audit, investigations, monitoring, inspection, evaluation, and internal management consulting.

OIOS is operationally independent within the Organization. However, this independence is severely infringed upon through the present oversight funding arrangements. Nor does OIOS have independence with regard to the recruitment of its staff. Operational independence is a fundamental part of good governance. It is also a requirement of the Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors. I am encouraged by the support from the General Assembly for strengthening OIOS' independence.

Also, it is critical for OIOS to have the support of senior management so that OIOS can gain the required cooperation from management and all staff and perform its work according to professional standards and practices and free from interference.

It is also important to emphasize that management carries the responsibility for internal control and for providing reasonable assurance of the achievement of the Organization's mission and objectives. Internal control is defined as the combination of many factors

which support people in their efforts to achieve their programme objectives. It is not limited merely to financial and administrative control but includes the whole concept of *management control*. Internal control encompasses the organizational culture and ethical behaviour as its backbones, and as the basis for assessing and managing risks and putting in place the policies, procedures and other control activities to enable the achievement of objectives. Internal control thus captures everything within the scope of management's responsibility to create an environment that is conducive to successfully fulfilling the Organization's mission.

Internal audit and other oversight activities evaluate the adequacy and effectiveness of internal control systems and make recommendations for their improvement. However, internal audit is not responsible for maintaining a system of internal control. It needs to be clarified that ownership for internal control rests squarely with management.

I would further like to emphasize that the wide array of rules and regulations, and policies, such as the recent whistleblower protection and financial disclosure policies, should not be seen as substitutes for internal control and management's responsibility for it, but as elements of an overall framework of internal control. Nor should organizational "support" functions, such as the Ethics Office, the Ombudsman, and OIOS as a whole for that matter, be considered replacements for internal control. Further, while training in management skills and ethics is very important, it alone does not give assurance that programme objectives will be achieved. Rather, these initiatives can enhance the capability of staff in management positions to better maintain an overall system of internal control.

The use of a structured internal control framework, and a comprehensive organization-wide risk management framework, should be seriously considered by the United Nations management. In this context, I would like to refer to the *Guidelines for Internal Control Standards for the Public Sector* of the International Organization of Supreme Audit Institutions¹ (INTOSAI), which the Organization may find particularly interesting as it comes from Member States and as INTOSAI is a United Nations sponsored organization.

I firmly believe that the implementation of a structured internal control framework would make this Organization more accountable for its results, more transparent and more conscious of its *raison d'être*. I also believe that such a framework would facilitate an appreciation of the role and value of an independent oversight office and the important role that OIOS can play in assisting programme managers to meet their responsibilities.

¹ http://www.intosai.org/Level3/Guidelines/3_InternalContrStand/3_GulCS_PubSec_e.pdf

Programme performance of the United Nations Secretariat

i) Overall assessment

OIOS is not in the position to state an overall opinion on the adequacy and effectiveness of internal control in the Secretariat or to report on the status of overall risk facing the Organization. As long as the Organization does not have a structured internal control framework or a requirement for management to attest on their assessment of internal control, or has not implemented an organization-wide risk management process, OIOS can come to an overall assessment only piece-meal, and either on a department-by-department basis or activity-by-activity.

However, OIOS commends management for the actions it has taken in 2005 in establishing the Ethics Office and promulgating the whistleblower protection and financial disclosure policies, as well as making efforts to reform administrative justice, among other things. These are crucial elements of an effective governance and oversight system.

OIOS continued to develop its risk framework in 2005 to ensure adequate oversight coverage of high risk areas in the Organization's activities and processes. OIOS also gave priority consideration to requests for oversight review by legislative bodies and management. Generally, OIOS' efforts focused on assisting management in improving the United Nations internal control systems in order to strengthen the Organization's ability to effectively carry out its mandate.

ii) Oversight work conducted on key areas of risk

The most significant areas of risk as identified by OIOS in 2005 include:

Tsunami relief operations

Audit and assessment missions were carried out in the main areas of destruction (Indonesia, Sri Lanka, Thailand and the Maldives) in order to assess risks associated with managing the financial contributions made by the world community to the Tsunami relief efforts. These missions pointed out, *inter alia*, the need for a clearer definition of the role of coordination between the agencies within the United Nations family through the different periods of a humanitarian crisis, namely the emergency, recovery, reconstruction and development phases both in the field and in the headquarters, along with their respective tasks and responsibilities. OIOS further suggested a number of improvements in the areas of finance and administration, human resources, information, procurement and field security management.

OIOS also initiated a number of meetings with the Board of Auditors and internal audit units of the funds and programmes implementing the relief efforts in order to share information on the perceived risks and approaches to audit these operations. Despite the fact that internal audit entities considered it unfeasible to conduct joint audits because of major differences among the Secretariat and funds and programmes reporting mechanisms, OIOS will continue to identify areas for synergy. This has become even more crucial since the recent adoption by the General Assembly of its resolution 60/259, which requested the Secretary-General to ensure that United Nations funds and programmes and specialized agencies cooperate with OIOS in the preparation of a consolidated report on audits and investigative reviews undertaken of the tsunami relief operation and entrusted the Office to report thereon to the General Assembly at its sixty-first session.

Peacekeeping Operations

Pursuant to General Assembly resolution 59/296, OIOS conducted a comprehensive management audit of the Department of Peacekeeping Operations (DPKO). The main objectives of the audit were to review DPKO practices to identify risks and exposures to duplication, fraud and abuse of authority in: finance and budgeting; procurement; human resources, including recruitment and training; and information technology.

The audit identified considerable scope for improving the management of peacekeeping operations, e.g., by: (a) reorganizing the budget process for improved efficiency and the elimination of duplication; (b) delegating recruitment authority to field missions concomitant with effective monitoring at United Nations Headquarters; (c) optimizing the use of information management and communications technology; (d) strengthening the capacity for mission planning and the provision of strategic guidance and direction; (e) improving coordination between DPKO and other United Nations departments and agencies; and (f) placing greater emphasis on the identification and dissemination of best practices developed based on positive and negative lessons learned.

OIOS made 158 recommendations, including 105 considered to be critical, in the seven audit reports that were issued as part of the management audit to DPKO, the Department of Management and the Department of Political Affairs. Of these, 133 recommendations were accepted, which represents close to 90 per cent of the recommendations. OIOS has reiterated 25 recommendations that were not accepted by management, for reconsideration by the departments concerned. Most of the accepted recommendations are in the process of being implemented.

Procurement

During the reporting period, OIOS reviewed a number of procurement activities and transactions at Headquarters duty stations and in the field. However, the bulk of OIOS' oversight resources in this important area was devoted to the audit of DPKO management practices referred to in the paragraph above. The DPKO audit resulted in a series of recommendations for significant policy and procedural improvements in order to mitigate risks of loss of resources and reputation for the Organization. In addition, OIOS established a Procurement Task Force to assist the Organization in identifying possible corrupt practices focusing on cases discussed in the DPKO audit report. Other OIOS investigations dealt with allegations of corrupt behaviour by United Nations staff, including accountability for theft of United Nations property and collusion between United Nations staff and vendors.

Sexual exploitation and abuse

OIOS investigations at peacekeeping operations identified serious cases of misconduct and the need for increased prevention and detection. In July 2005, OIOS received additional resources to handle existing and emerging cases of sexual exploitation and abuse (SEA). OIOS and the Department of Peacekeeping Operations are working to ensure that serious cases are handled swiftly, in collaboration with troop-contributing countries. OIOS further believes that it is imperative to communicate to all United Nations personnel the fact that the Organization has zero tolerance for sexual exploitation and abuse, as emphasized by General Assembly in its resolution 59/296.

Driven largely by the increase in SEA cases, DPKO requested OIOS to conduct a global review of discipline in field missions led by the Department to assist management in determining how to strengthen the Organization's standards of conduct and ensure full compliance with those standards in the missions. The review showed the need for enforcing accountability and responsibility for misconduct in the spirit of the United Nations standards of conduct, the Organization's core values and competencies, and the United Nations Charter, which requires that all staff commit themselves to "the highest standards of efficiency, competence and integrity." In this regard, OIOS observed that there was no dedicated full-time capacity at Headquarters or in the field to monitor the state of discipline and to coordinate the efforts of DPKO to address conduct and discipline issues.

Support to field operations

United Nations operations have dramatically increased to make it a very diverse Organization working worldwide. A thematic evaluation of the effectiveness of linkages between Headquarters and field activities conducted by OIOS concluded, *inter alia*, that the highly complex system that connects and coordinates the poverty eradication activities of Headquarters, regional and field offices was not conducive to the consistent and systematic transmission of knowledge, guidance and experience. OIOS' management consulting service focused increasingly on assisting client departments and offices to improve support to their field operations. Consultancy assignments concentrated on providing advice on changing structures, systems, processes and culture to build value-adding headquarters units that enable staff in the field to carry out their operations effectively.

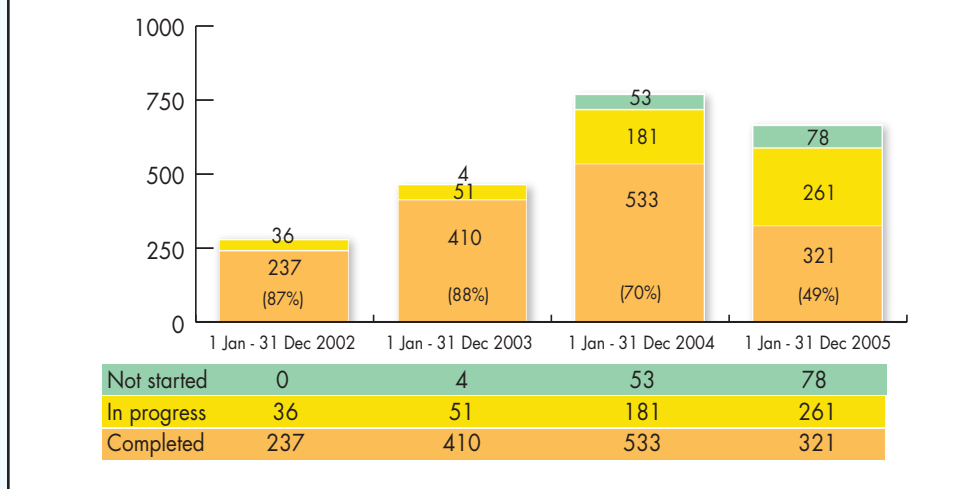
iii) Programme Performance Report

The Programme Performance Report (PPR) for the biennium 2004-2005 (A/61/64), prepared by OIOS in cooperation with programme managers, provided a comprehensive review, including lessons learned, of the Secretariat's implementation of the expected accomplishments based on the delivery of mandated outputs. PPR reflected progress made by the Organization in the areas of international peace and security; promotion of sustainable development; support for development of Africa; promotion of human rights and global humanitarian assistance; and in strengthening international law, drug control, crime prevention and combating international terrorism. The overall output implementation rate of 91 per cent was higher than in any previous biennium.

iv) Management response

For the period 1 January to 31 December 2005, OIOS issued 660 critical recommendations to United Nations entities for which it provides oversight coverage. These called for, among other things, the development/clarification of policies and procedures, the improvement of workflow processes, the enhancement of internal control to correct systemic deficiencies, and savings and recoveries. Of these, 49 per cent were implemented as at 31 December 2005, while for an additional 40 per cent the implementation had started and was in progress.

Figure 1. Status of implementation of critical recommendations issued by the Office of Internal Oversight Services, as at 31 December 2005



Although OIOS generally observes a positive trend whereby recommendations are implemented more expeditiously, there remains significant room for improvement in order for the Organization to capitalize on recommended efficiencies and better manage the potential risks it is facing. The age of some recommendations is of great concern to OIOS. For example, 10 critical recommendations issued prior to 2002 remain without full implementation, while some of them have been open for as long as six years. This leaves the Organization open to weak controls, inefficiencies and ineffective impact of programme implementation. The longer these recommendations remain open, the higher the risk to the Organization.

v) *Financial implications*

During the year, 1 January to 31 December 2005, OIOS recommended a total of US\$ 54.5 million in savings to the Organization, the majority of which were identified in peacekeeping missions. Actual savings and recoveries in this period totaled US\$ 20.3 million. However, despite the significant amount of realised cost savings, the impact of OIOS' recommendations cannot be fully measured until full implementation.

vi) *Looking Forward*

OIOS is focusing on obtaining programme managers' acceptance of OIOS recommendations. It is also important that managers commit to the implementation of recommen-

dations and the achievement of agreed target dates. Two notable initiatives that will facilitate this end include: 1) the implementation of Issue Track, an integrated database containing all OIOS Divisions' recommendations that will enhance monitoring and accountability; and 2) the negotiation of measurable implementation time schedules with programme managers.

In addition, there have been a number of positive developments in the Organization in the form of the establishment of the Management Performance Board, the Management Committee, the Policy Committee, and an oversight committee for implementation of oversight recommendations. The introduction of a United Nations Internal Control Framework would be the logical next step in the efforts to further strengthen accountability and transparency in the Organization.

(Signed) Inga-Britt Ahlenius
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