

Agenda Item 129

Activities of the Independent Audit Advisory Committee for the period 1 August 2011 to 31 July 2012

Report of the Independent Audit Advisory Committee (A/67/259)

Statement by Adrian Strachan Vice-Chairman, Independent Audit Advisory Committee

8 October 2012

Mr. Chairman, distinguished delegates

I have the honour to introduce the annual report of the Independent Audit Advisory Committee (IAAC), A/67/259 on its activities for the period 1 August 2011 to 31 July 2012. This report was prepared in accordance with the Committee's terms of reference as set out in the annex to the General Assembly resolution 61/275. This is the IAAC's fifth annual report.

The IAAC is dedicated to working strictly within the terms of reference, using it to guide the scope and extent of our work. The Committee members, namely Mr. Vadim Dubinkin (Russian Federation); Mr. J. Christopher Mihm (USA); Mr. John Muwanga (Uganda), Chairman; Mr. Vinod Rai (India); and I are fully committed to fulfilling the responsibilities of this Committee. Notwithstanding that we serve on a part-time basis and that most of the members have full time jobs outside the United Nations, attendance at all the Committee's sessions continues to be 100 per cent and the members are fully engaged in its work. This is evidenced by the advice and recommendations that the IAAC has provided in the 12 prior annual and other reports we have issued to-date.

During the reporting period, the IAAC continued its practice of meeting with a broad range of key United Nations stakeholders, including representatives of Member States, the Secretary-General, the Deputy Secretary-General, the Chef-de-Cabinet, the Advisory Committee on Administrative and Budgetary Questions and the Board of Auditors. The IAAC also met routinely with the Under-Secretaries-General for Internal

Oversight Services and for Management or their representatives at every session. We are pleased to report that the IAAC has received adequate access to the individuals, documents and reports that we deemed necessary to conduct our work.

Included in this report is a preliminary workplan of the IAAC for 2013 which is based on our responsibilities, the United Nations budget cycle and the scheduling of the sessions of the General Assembly, the Advisory Committee on Administrative and Budgetary Questions, and the Board of Auditors.

Mr. Chairman, distinguished delegates, turning to the results of our activities, since its inception, the IAAC has made a total of 103 recommendations. As indicated in our report, 57 of these recommendations have already been implemented, 10 were reiterated from previous periods, 22 are either in progress or pending consideration, and 14 recommendations made in the Committee's previous annual reports have been deferred for consideration by the General Assembly to subsequent sessions. The Committee looks forward to providing further advice on these issues to the General Assembly. The IAAC will also continue to closely monitor implementation of its recommendations. There are a few issues, however, that the IAAC wishes to highlight in this introductory statement:

Implementation of oversight body recommendations- Under its terms of reference, the IAAC, is required to advise the General Assembly on measures to ensure the compliance of management with oversight body recommendations. Implementation of such recommendations helps to assure that the weaknesses identified in the management and internal control systems of the organization have been addressed. This is an important accountability tool.

The IAAC notes the improvement in the rates of implementation of oversight body recommendations and believes that this is a step in the right direction. However for this to translate into an essential element of accountability, the Committee is of the opinion that such recommendations must be of high quality, add value and are implemented in a timely manner. In this connection, the IAAC continues to study

carefully the new initiative that OIOS has introduced in its treatment of recommendations issued to management.

The IAAC also continues to have constructive engagement with the Board of Auditors and is pleased to note the improvements in the rate of implementation of the Boards recommendations.

In this connection, the IAAC continues to recognise the valuable work of the Management Committee which has dedicated several of its sessions to reviewing and following up on the implementation of oversight body recommendations.

The above notwithstanding, the IAAC believes that more needs to be done with respect to the acceptance and implementation of the recommendations of the Joint Inspection Unit. The Committee understands that the new web-based tracking system the JIU is currently developing will assist both management and the JIU in taking prompt action in this respect. We expect that the JIU will put in place the appropriate administrative structure in support of this data-base.

Risk management and the internal control framework- While OIOS continues moving towards residual risk based work planning, and Management seems to be making progress in laying the ground work for an enterprise risk management system (ERM), the IAAC believes that such a system in the Secretariat has a long way to go. The IAAC continues to emphasise that an organization of this size, complexity and importance should not be without a robust ERM framework steered from the highest levels of the organization.

In this regard, the IAAC has welcomed the designation of the Management Committee to serve as the ERM Committee, and believes that this Committee will ensure that all the departments of the Secretariat are implementing ERM consistently in accordance with the ERM policy framework..

The IAAC also noted that some Offices and Departments were at various stages of embedding risk management processes in their operations. At the same time the Committee observed that Departments like Management and OIOS, considered the vanguard of ERM in the UN, are yet to establish systematic ERM systems. The committee calls upon such offices to take concerted effort in embedding ERM in their operations

In order to avoid the danger of each department operating in a silo, the IAAC continues to reiterate the need for a Chief Risk Officer vested with appropriate authority and consistent with bench mark 6 of the Joint Inspection Unit's report on ERM.

Mr. Chairman, the terms of reference provide for the Independent Audit Advisory Committee to advise the General Assembly on the Effectiveness, Efficiency and Impact of the Audit activities and other functions of OIOS.

High OIOS vacancy rates- This has been an issue of long-standing concern to the IAAC. The Committee is pleased to note that OIOS' overall vacancy rate has declined and continues to decline. However, the IAAC noted that the vacancy rate in the Investigation Division (especially in the field) continued to be high and the IAAC is not sure how this situation might have affected the results of the recently concluded pilot project on investigations.

Reform Initiatives- The OIOS has also embarked on fundamental changes to the way its audit reports are prepared including ranking and reducing the size of such reports. There has also been a move to reduce the number of recommendations issued and the way those recommendations are monitored. The IAAC is reviewing these changes to assess their impact on the quality of the work of OIOS.

Mr. Chairman, distinguished delegates, in the opinion of the IAAC, while there are still areas that need to be addressed by OIOS, the office appears to continue making progress with regard to the quality of its work. In this connection, the IAAC notes that the Institute of Internal Auditors concluded a "Peer Review" of OIOS and that similar

independent reviews of the Investigation and the Inspection and evaluations Divisions are underway. The IAAC plans to follow-up on the related reports at its December 2012 meeting.

Financial reporting-Consistent with its terms of reference, the IAAC inter-alia advises the General Assembly on the appropriateness of accounting policies and disclosure practices and to assess changes and risks in those policies. The IAAC continues to be engaged with Management on the various reform initiatives including the implementation of the International Public Sector Accounting Standards (IPSAS). The IAAC has reviewed and provided its comments on the IPSAS policy framework.

The Committee's detailed comments on these issues are contained in the report and I will be happy to answer any follow up questions during the informal sessions.

On behalf of the members of the IAAC, I thank you Mr. Chairman.

