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## Fifth Committee

### Summary record of the 5th meeting

Held at Headquarters, New York, on Thursday, 9 October 2008, at 10 a.m.

*Chairman:* Mr. Bródi ..... (Hungary)  
*Chairman of the Advisory Committee on Administrative  
and Budgetary Questions:* Ms. McLurg

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*The meeting was called to order at 10.10 a.m.*

**Agenda item 128: Report on the activities of the Office of Internal Oversight Services** (A/63/302 (Part I) and A/63/302 (Part I)/Add.1)

**Agenda item 117: Review of the efficiency of the administrative and financial functioning of the United Nations** (*continued*) (A/63/302 (Part I)/Add.2 and A/63/328)

1. **Ms. Ahlenius** (Under-Secretary-General for Internal Oversight Services), introducing the report on the activities of the Office of Internal Oversight Services for the period from 1 July 2007 to 30 June 2008 (A/63/302 (Part I) and A/63/302 (Part I)/Add.1), said that, during the period covered by the report, the Office of Internal Oversight Services (OIOS) had issued 1,755 recommendations, 50 per cent of which had been implemented as of 30 June 2008. Ninety-five per cent of all recommendations issued in the previous three years had been implemented, which was consistent with the rate for earlier years.

2. The ongoing deficiencies in internal controls would remain a significant problem for the United Nations until the Organization developed and implemented a formal internal control framework to manage risks effectively and systematically. Until that occurred, OIOS would continue to uncover shortcomings that made the Organization vulnerable to mismanagement and misuse of resources. In an audit of delegation of authority, for example, which was referred to in the OIOS report (A/63/302 (Part I), para. 31), the Office had identified a significant lack of clarity regarding the jurisdiction over which the Department of Management exercised its authority to delegate and the scope of administrative issuances on such delegation. It was of great concern that delegation of authority — the mechanism by which key financial and administrative decisions were made — was seriously flawed, because improper delegation or formalization of authority could adversely affect accountability and the effectiveness of United Nations operations.

3. In an audit of the Department of Economic and Social Affairs, also referred to in the report (A/63/302 (Part I), para. 35), OIOS had found that contracts were being awarded repeatedly to a limited number of contractors, in disregard of the spirit of competitive selection. In 30 cases sampled, the same names were

repeated in 10 of the contracts. Similar shortcomings were also found in the financial management of the United Nations Thessaloniki Centre for Public Service Professionalism. Where there were fundamental deficiencies in core administrative processes or a breakdown of internal controls, the Organization was exposed to unnecessary risk and, in some cases, waste of resources.

4. Establishing an internal control framework was not an easy task that could be accomplished in a few months. In some parts of the Organization, it would require a fundamental shift in how business was conducted. While the Secretary-General had issued in early 2008 his report on, inter alia, an enterprise risk management and internal control framework (A/62/701), work must now begin in earnest to establish the framework, a task for which her Office stood ready to lend its expertise.

5. In addition to the oversight work done during the period in question, OIOS had continued to lay the groundwork for a more robust oversight office. Risk-based audit, evaluation and inspection workplans for 2008 had been delivered in order to align the priorities of the Office with the Organization's risks. OIOS continued to streamline and improve its methodologies, which had been approved by the Independent Audit Advisory Committee as a reasonable basis for establishing the workplans.

6. Other key initiatives undertaken included, in the Inspection and Evaluation Division, the refinement and implementation of a quality assurance system and the introduction of a new inspection and evaluation manual; in the Internal Audit Division, the revision of the internal audit manual and development of a standard training programme for its staff; and in the Investigations Division, creation of a Professional Practices Section, development of a comprehensive investigation manual, revision and expansion of key standard operating procedures and development of an investigation learning programme.

7. **Ms. Hurtz-Soyka** (Director, Office of the Under-Secretary-General for Management), introducing the note by the Secretary-General (A/63/302 (Part I)/Add.2) on the report of the Office of Internal Oversight Services, said that the note provided clarification on issues discussed in the report, including the risk assessment at the United Nations Environment Programme, measures undertaken to

facilitate the cooperation of vendors during investigations, policies and procedures on the employment of consultants and individual contractors, improvements in the administration of the United Nations laissez-passer and the feasibility of reference checks for short-term staff. Further information was given on standards of health care available to staff and the implementation of recommendations for referral of cases to national authorities for prosecution and financial recovery.

8. Recognizing that OIOS recommendations contributed to the efficiency and effectiveness of the Organization, the Secretariat was committed to their full and timely implementation. The Secretary-General had included that commitment in his compacts with senior managers.

9. **Mr. Walker** (Chairman of the Independent Audit Advisory Committee), introducing the report covering the activities of the Independent Audit Advisory Committee (IAAC) for the period from its inception on 1 January 2008 to 31 July 2008 (A/63/328), noted that the report contained the consensus views and recommendations of the Committee members: Mr. Vadim Dubinkin, Director in the Accounts Chamber of the Russian Federation; Mr. Vijayendra Kaul, former Comptroller and Auditor-General of India; Mr. John Muwanga, Auditor-General of Uganda; Mr. Adrian Strachan, former Auditor-General of Jamaica; and the speaker himself, Mr. David Walker, former Comptroller General of the United States. Those individuals served on the Committee in their personal capacity, and not as representatives of their respective States. The IAAC rules of procedure were annexed to the report because the terms of reference had been negotiated among the Member States, IAAC had taken care to remain within them.

10. The aim of the report was to present the General Assembly with relevant information clearly and concisely. It included comments on the OIOS budget under the peacekeeping support account; IAAC looked forward to discussing the proposed restructuring of the OIOS Investigations Division in the context of the 2009/10 budget under that account. The Audit Advisory Committee had also commented on the enterprise risk management and internal control framework, which were the only parts of the Secretary-General's report (A/62/701) explicitly contained in its terms of reference.

11. The priorities of IAAC for its upcoming session were to finalize its three-year workplan, launch a website and examine the OIOS risk-based planning and budgeting process. To meet the responsibilities set out in its terms of reference and facilitate discussion of the relevant reports, IAAC would carefully time its sessions to coincide with those of the Board of Auditors, the Advisory Committee on Administrative and Budgetary Questions (ACABQ) and the General Assembly. IAAC was pleased to report that it had received adequate access to the individuals and documents that it deemed necessary to conduct its work, and looked forward to interacting with intergovernmental bodies and fulfilling its advisory role for the General Assembly.

12. **The Chairman** said that the relevant chapters of the report of the Independent Audit Advisory Committee would be considered under the appropriate agenda items as set out in the programme of work.

13. **Mr. Hunte** (Antigua and Barbuda), speaking on behalf of the Group of 77 and China, praised the quality of the first annual report of the Independent Audit Advisory Committee, which had correctly emphasized the importance of greater cooperation among United Nations oversight bodies.

14. The Group concurred that the proposal to establish a new Division for Accountability and Results Management should be revisited to ensure that managers retained their primary responsibilities for the work done in their respective departments and programmes. Similarly, the recommendation by IAAC to establish a Chief Risk Officer position should not diminish those responsibilities.

15. With respect to the observations by IAAC on the Board of Auditors report, the Group remained willing to work with its partners to resolve the issues of both the accounting treatment and the funding of end-of-service liabilities. The lack of proper accounting for non-expendable property, which represented a breakdown of the basic internal controls of the Secretariat, was a matter of concern, as was the fact that the situation had not been highlighted earlier by the Secretariat or the OIOS Internal Audit Division.

16. Turning to the annual report of OIOS, the Group reiterated its support for the operational independence of the Office and expressed concern at the marked increase, since the previous period, in the number of recommendations that had received no response or

whose implementation had not been started. The failure of certain entities to provide information on implementation of OIOS recommendations was also a concern: it was crucial that all departments should cooperate fully with the Office.

17. Noting the internal reform initiatives under way in the divisions and Executive Office of OIOS, he stressed that reports on external reviews of OIOS departments should be shared with the General Assembly. Equitable geographic distribution and the hiring of qualified personnel were important goals that must be achieved. The Group appreciated the work on improving the processes of the Internal Audit Division. It was concerned, however, that the issues raised by the Audit Advisory Committee on inventory controls had not been previously detected by the Division, and wished to receive further information.

18. Finally, the Group noted that the United Nations Compensation Commission had implemented all audit recommendations from OIOS, and looked forward to discussing, in due course, the work of the Investigations Division and the final report of OIOS on the comprehensive audit of the capital master plan.

19. **Mr. Cazalet** (France), speaking on behalf of the European Union, commended the Independent Audit Advisory Committee on the quality of its first report and pledged its full support for that Committee in the discharge of its mandate.

20. **Ms. Norman** (United States of America), turning first to the report of the Office of Internal Oversight Services, said that, by exercising oversight, promoting responsible administration of resources and identifying abuse, fraud, waste and mismanagement, the Office played a central role in helping the United Nations operate according to the highest standards of efficiency and integrity, thus enhancing its reputation and confidence in its work. The 1,755 recommendations issued by OIOS and the financial savings and recoveries realized during the period covered by the report were commendable. Action must be taken to realize the remaining savings the Office had identified and to address the 804 recommendations it deemed critical.

21. To function effectively, OIOS must operate independently and have adequate resources and staff. That would be especially critical for the Investigations Division when it assumed the caseload of the Procurement Task Force, while the proposed Financial,

Economic and Administrative Unit must be staffed with specialized investigators. She also wished to learn more about the proposal to redeploy investigators using a “hub” system.

22. Her Government welcomed the implementation of a risk-based workplan for 2008 and wondered how a similar workplan would operate in the Investigations Division, as recommended by the Independent Audit Advisory Committee, since investigations were generally triggered by the discovery or reporting of potential wrongdoing.

23. Regarding delegation of authority, her Government shared the concern of OIOS that the terms “Secretariat”, “Organization” and “United Nations” lacked clear definition, which made it difficult to know which offices or bodies were the subjects of administrative directives. She would like the Department of Management to explain how it would address the issue.

24. The practice of closing unimplemented recommendations, as discussed in the OIOS report (A/63/302 (Part I)/Add.1, paras. 11-16), was consistent with international auditing standards, but should always be an exception. Departments and programmes should not be given the impression that implementation was optional or that managers could merely bide their time until such closure. She strongly urged OIOS to report in detail on future “closed” recommendations and any problems encountered.

25. The lack of transparency, fair competition and documentation in the selection of consultants for the Department of Economic and Social Affairs must be addressed. Her Government also wished to have information or explanations on three other issues of concern: what action was being taken to hold responsible officers at the United Nations Information Centre in Tokyo who had made advance payments using fictitious invoices; the status of the “appropriate action” being taken against the three staff members implicated in the weapons charges in Nairobi, where a gun had been misplaced and the armoury appeared to lack controls; and finally the reasons for delays, particularly in the Office of Legal Affairs, in referring cases to national authorities for criminal prosecution.

26. Turning to the report of the Independent Audit Advisory Committee, she commended the members on having begun their work immediately by reviewing the budget of OIOS and other oversight matters. She

agreed with the conclusions of IAAC that enterprise risk management should be implemented gradually and that the International Public Sector Accounting Standards should be adopted more quickly, and welcomed its offer to provide input on the upcoming five-year review of OIOS and the appointment of the next Under-Secretary-General for Internal Oversight Services.

27. **Mr. Ballantyne** (New Zealand), speaking also on behalf of Australia and Canada, said that IAAC, which had set to work quickly, could clearly be a great asset to the General Assembly in matters of oversight. The inclusion of its rules of procedure in its report was a sign of that Committee's commitment to transparency. Future work planning should provide for interaction between IAAC and ACABQ; it was unfortunate, therefore, that ACABQ had not considered the Audit Advisory Committee's advice on OIOS budgetary proposals.

28. With respect to the IAAC report itself, he hoped that in future, the Committee would comment on the completion rate of the risk-based workplan developed by OIOS, as the Board of Auditors had pointed out that the Office produced far fewer audits than planned. On the question of risk management, IAAC had rightly emphasized that it was not merely a technical exercise, but a major change in organizational culture requiring clear leadership from the highest levels. It was critical that IAAC should remain engaged in the further development of the risk management framework.

29. His Government would work constructively on other key issues mentioned by IAAC, including end-of-service liabilities, asset management and the potential role of the Audit Advisory Committee in the review of OIOS functions and reporting procedures and the selection of its next Under-Secretary-General.

*The meeting rose at 10.50 a.m.*