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Chairman: Mr. Mańczyk (Vice-Chairman) (Poland)
*Chairman of the Advisory Committee on Administrative
and Budgetary Questions:* Mr. Saha

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In the absence of Mr. Ashe (Antigua and Barbuda), Mr. Mańczyk (Poland), Vice-Chairman, took the Chair.

The meeting was called to order at 10.05 a.m.

Agenda item 136: Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations (*continued*) (A/60/681 and Corr.1 and Add.1, A/60/682, A/60/699, A/60/700, A/60/711, A/60/713, A/60/715, A/60/717, A/60/720 and Add.1, A/60/727, A/60/787, A/60/807 and A/60/856)

1. **Mr. Karia** (Director of the Accounts Division, Office of Programme Planning, Budget and Accounts) presented an addendum to the written responses submitted at the Committee's previous meeting, on 25 May 2006, to the questions raised by delegations regarding the Organization's fact-finding into allegations of procurement irregularities. The addendum had been distributed informally.

2. Concerning the selection of Deloitte Consulting LLP to conduct the review of the internal controls of the Procurement Service, he said that the Controller, acting as the official responsible for procurement, had requested the United Nations Development Programme (UNDP) to provide access to its list of approved management consulting firms. From that list, a shortlist of three suitably qualified firms had been selected. That procedure was in accordance with financial rule 105.17. The arrangements had been made by the Controller so as to avoid any perception of a conflict of interest that might have arisen had the Procurement Service itself been involved. A solicitation had been issued to each of the three short listed firms, with a request for quotations in line with their existing long-term agreements with UNDP. Quotations had been received from two of the three firms.

3. The technical evaluation of the quotations had been undertaken by the Office of the Controller. The quotation supplied by Deloitte, which had amounted to \$449,280, plus estimated travel costs of approximately 6 to 8 per cent, had been substantially lower than the other firm's bid and more responsive to the scope of work. Following a presentation by the Procurement Service, the Headquarters Committee on Contracts had unanimously recommended approval of the Deloitte quotation. That recommendation had been accepted by an authorized official of the Office of Programme Planning, Budget and Accounts. The Controller had not considered the recommendation himself, since it was

he who had made the initial request for consulting services and solicited the bids.

4. Turning to the question posed regarding authority to commission such reviews and studies, he said that, as the chief administrative officer of the United Nations, the Secretary-General was required to administer the Organization according to the highest standards of efficiency and integrity. It had therefore been his responsibility to ensure an immediate and thorough response to the problems that had arisen in procurement in mid-2005. The Deloitte review had been conducted on the authority of the Secretary-General within that framework; no separate authority had been required. The terms of reference for the review were indicated in the document distributed to delegations.

5. **Mr. Elnaggar** (Egypt) said that his delegation had not yet had time to study the information contained in the addendum but had a number of observations to make concerning the written responses submitted at the Committee's previous meeting. Regrettably, the Secretariat had not answered all the questions raised by delegations, and the answers it had provided were self-contradictory. It seemed that its main concern was to justify its own actions.

6. The clearest example of that approach was the response given to the concern expressed that senior managers had created a myth of pervasive corruption in the United Nations. Instead of responding directly, the Secretariat had sought to imply that those Member States who had raised the issue somehow supported fraud and corruption. Rather than defend wrongdoing and mismanagement, the Secretariat should follow the procedures established for dealing with them. The General Assembly, for its part, would continue to perform its oversight role in respect of all officials at all levels.

7. According to the Secretariat's written responses, the procurement activities of the Department of Peacekeeping Operations had represented only a small percentage of the transactions conducted during the period reviewed in the audit undertaken by the Office of Internal Oversight Services (OIOS). Was the Secretariat suggesting that the Assembly should not therefore examine lines of responsibility within that Department and conduct investigations accordingly?

8. Since August 2005, procurement had been under the day-to-day responsibility of the Controller. He

would be interested to know whether that had led to any conflicts of interest.

9. Concerning the Deloitte study, the Secretariat sought to defend the findings by stating that previous audits by OIOS and the United States Government Accountability Office had not identified the problems highlighted by Deloitte because they had been transaction-based. However, in his view, a transaction-based audit should be more, not less, likely to uncover fraud and corruption.

10. The Secretariat should withdraw the responses submitted on 25 May 2006, which contained opinions, not information, and answer delegations' questions in a more scientific manner.

11. **Mr. Aljunied** (Singapore) said that his delegation had a number of observations and follow-up questions regarding the written responses submitted by the Secretariat at the Committee's previous meeting. While procurement authority had not been delegated from the Office of Central Support Services to the Department of Peacekeeping Operations until 2005, the need to address the illogical and unsatisfactory arrangements that had existed until then, whereby the Assistant Secretary-General for Central Support Services had delegated procurement authority directly to procurement officers in the field despite having no managerial authority over those officers, had been recognized as far back as 2000. Limited delegation of procurement authority to the Assistant Secretary-General for Peacekeeping Operations had been granted in February 2005 but had not been accepted until June. The reluctance of the Department's senior management to accept oversight responsibility for procurement activities directly under their charge did not, however, diminish their accountability. Yet the Assistant Secretary-General for Central Support Services was being held solely responsible for the irregularities identified. Moreover, while the current incumbent of that post had been placed on administrative leave, no action had been taken against his predecessor, who had occupied the post until February 2003.

12. OIOS should explain whether it had consulted with the Office of Central Support Services in preparing the management audit of procurement, whether it had been aware of the five years of discussions regarding delegation of procurement authority to the Department of Peacekeeping Operations and, if not, how comprehensive the audit

had actually been. It should also indicate whether the views of the Assistant Secretary-General for Central Support Services had been taken into account in the audit report. His delegation had been given to understand that it was for the Under-Secretary-General for Management to respond to OIOS and to incorporate responses of his managers if he so wished. If OIOS was indeed constrained by the Organization's hierarchical structure and could act only on information provided by senior managers, that would raise doubts as to its independence and its ability to fulfil its oversight role.

13. As the Secretariat had acknowledged in its responses, the Office of Programme Planning, Budget and Accounts had not fully supported the Procurement Service's requests for additional posts for 2003/04 and prior periods dating back to 2000, despite the upsurge in peacekeeping activities at that time. It would be helpful to have additional information about the specific requests made by the Procurement Service.

14. Regarding the Deloitte study, it was not clear to his delegation why the Controller had engaged an external consulting firm to undertake the review of the internal controls of the Procurement Service, instead of requesting OIOS to do so. Given the gravity of the situation, an audit should have been conducted by OIOS or the Board of Auditors as a matter of priority. The Controller had solicited bids from Deloitte and two additional consulting firms; the Secretariat should identify the other short listed firms. Noting the significance of the study's findings, he asked why they had yet to be discussed in the Committee. He also wished to know whether the Advisory Committee on Administrative and Budgetary Questions (ACABQ), OIOS and the Procurement Service had been given an opportunity to provide their views on the Deloitte report; he had raised the question previously but had yet to receive a response. If they had been afforded such an opportunity, their views should be transmitted to the Committee, together with the comments on the report submitted by the Assistant Secretary-General for Central Support Services. Lastly, the Secretariat should indicate how many of the consultants' recommendations had been implemented.

15. Regarding the Secretariat's assertion that previous audits had not identified the weaknesses highlighted by Deloitte because they had not addressed system and control issues, he asked what the purpose

of conducting audits was, if not to examine such matters.

16. He understood that Deloitte had been commissioned to conduct a study of the Office of Programme Planning, Budget and Accounts at a cost of \$480,000. The Secretariat should explain why, how and on whose authority the consultants had been engaged. He also wished to know whether the study was a follow-up to the earlier review and why it could not be conducted by OIOS or the Board of Auditors. If it was a question of resources, OIOS could surely request the Assembly for additional funding to carry out the study. The hiring of the external consulting firm without any prior consultation with Member States was a clear example of the perils of allowing managerial flexibility without having adequate accountability mechanisms in place.

17. The Secretariat had cited the findings of the Independent Inquiry Committee chaired by Mr. Paul Volcker and the recent arrest and indictment of a senior procurement officer, Mr. Alexander Yakovlev, as evidence of the Organization's flawed procurement practices. However, as far as he was aware, those same practices were still being utilized. Moreover, no United Nations staff member had been charged or convicted based on the Independent Inquiry Committee's findings. Concerning the eight staff members placed on administrative leave, he asked why five months of inquiries had produced no evidence to incriminate them; why some of the staff members had yet to be interviewed; and why the investigation, which had been deemed a matter of priority, had still not been completed. The explanation provided — that another 500 cases of alleged procurement irregularities had been reported to OIOS — was not satisfactory. The Secretariat should also clarify the link made in its responses between the investigation into the eight staff members and the Yakovlev case. While confidentiality was important, it should not serve as a pretext for a lack of transparency.

18. The Secretariat had stated that the investigation must be allowed to run its course and should not be a subject of public debate. However, it was the Under-Secretary-General for Management who had discussed the draft report of OIOS with the media, painting a picture of pervasive corruption at the United Nations and giving the impression that there was irrefutable evidence against the eight staff members. There was no culture of corruption in the Organization. However, the

delay in completing the investigation was symptomatic of a culture of inaction, which did the Organization's image no good.

19. **Ms. Lock** (South Africa), speaking on behalf of the Group of 77 and China, said that it was unusual for the Committee to be meeting in a formal setting to clarify issues with the Secretariat at the request of a delegation which had not initially raised those issues. Her delegation concurred with the point raised by the representative of Egypt, concerning the way in which the Committee normally received responses from the Secretariat and trusted that in future those procedures would be observed.

20. She requested a list of the many external audits and investigations of the United Nations procurement services that had been undertaken at the request of the Administration during the previous two years. Clarification was needed on the follow-up actions taken on the findings of those external audits and investigations. The Group of 77 and China emphasized that the commissioning of audits and investigations should not replace the oversight role performed by the General Assembly. The Assembly must be kept informed of any findings, and also of the follow-up actions taken by the Secretariat. Furthermore, it was unclear whether the various investigations and audits had been verified by either the Board of Auditors or OIOS.

21. With respect to the Deloitte report, she asked whether any action had been taken by the Secretariat to implement the recommendations contained therein. Furthermore, the Committee had been informed that there were plans to undertake a forensic audit based on the findings of the report. A status report on the forensic audit was therefore also necessary. It was unclear whether the audit was subject to the normal bidding procedures. Clarification was needed on how those actions related to the implementation of General Assembly resolution 59/288 and on what action had been taken by the Secretariat to implement that resolution. As the Assembly was the primary oversight body, its resolutions should not be replaced by findings that had not been acted on or considered by it.

22. Concerning the OIOS report on the comprehensive management audit of the Department of Peacekeeping Operations (A/60/717), information was needed on how many United Nations staff members in the Procurement Service and chief procurement

officers in the field had been interviewed during the audit in question. In addition, it was unclear how that audit related to the horizontal audit of procurement management conducted by OIOS between March and June 2005 and why the horizontal audit had not been released or shared with the General Assembly. More details were also needed on the extent to which the Administration had acted on that audit.

23. She asked for specific examples of cases where the team of auditors who had reviewed the procurement activities of the Department of Peacekeeping Operations had reviewed previous audits by OIOS and the Board of Auditors and found that a lack of compliance with recommendations had caused the Organization to suffer financial losses. Particular examples of wrongdoing, with specific references to case numbers and figures, would also be welcome. Lastly, she would appreciate receiving statistics on the number of United Nations Headquarters contracts in which disputes had arisen in the previous few years and had resulted in financial losses to the Organization, as well as an indication of the amounts involved.

24. **Mr. Mazumdar** (India) said that the information to be provided on the studies and audits conducted during the previous two years should indicate who had been responsible for commissioning them in each case. The supplementary information provided by the Secretariat on 25 May mentioned findings by the Independent Inquiry Committee of fraud within the Procurement Service. His delegation requested the Secretariat to indicate where in the Committee's report such findings had been cited, as he had not been able to locate any. The relation between the findings of that Committee and the current investigations was therefore unclear.

25. Action had been taken against eight individuals involved in 27 cases. It was unclear why no action had been taken against individuals involved in the 200 cases that had initially been taken up. The Committee had been told in February that investigations into the 27 priority cases would be concluded and a report submitted to the General Assembly by June. It had now learned that such a report would be unlikely to appear even in July. If the priority cases could not be concluded in six months, given that the procurement task force had over 500 cases before it, he wondered whether the investigations would take some 10 years to complete. Furthermore, it was not clear whether the

task force was under the authority of OIOS or the Department of Management.

26. There had been an attempt to associate the entire Procurement Service with one individual, whose name was referred to repeatedly in the supplementary information. His delegation would like to know of any other evidence of wrongdoing in the Service. If the task force was unable to build a case against the eight individuals in the 27 cases, the administrative action taken against them should be withdrawn. If investigations had to be conducted into other cases, the individuals concerned should be placed on the same footing as the persons involved in the other 500 cases, who had not had their reputations tarnished without access to due process.

27. He wondered why the Secretariat, in the supplementary information, had urged Member States to share any "relevant evidence or information" with the investigators. It was unclear what kind of information was being sought, as the Committee did not have any report on the investigations.

28. Lastly, he failed to understand the statement that previous OIOS audits had been transaction-based and therefore had not evaluated the control environment. If that were the case, there would be no use for such audits. Transaction-based audits did, in fact, result in lessons learned for the control environment.

29. **The Chairman** said he had been informed that the Secretariat would be ready to provide answers and supplementary information, as requested, in informal consultations.

30. **Mr. Aljunied** (Singapore) said that he would appreciate it if the Secretariat could respond to at least some of his questions at the current meeting.

31. **Mr. Karia** (Director of the Accounts Division, Office of Programme Planning, Budget and Accounts) said that he would be able to respond fully to the questions raised after he had had an opportunity to consult with the relevant officials. He would prefer to answer the questions at a later time, in either an informal or formal setting.

32. **Mr. Elnaggar** (Egypt) said that there had been a request for the Secretariat to withdraw its previous responses and provide fresh ones which were both technically sound and informative. His delegation was not seeking the opinion of a Secretariat official on the issues raised in the Committee. The representative of

South Africa had drawn attention to a procedural matter concerning questions raised in a formal setting. Such questions should be answered in a formal setting, in keeping with the practice of the Committee. His delegation had not requested a formal meeting to discuss the issue. It had simply raised questions and looked forward to written answers. Once a single delegation had requested a formal meeting, however, it was not possible to return to informal consultations.

33. **Mr. Aljunied** (Singapore) said that he would like the Secretariat to answer the questions raised in a formal setting.

34. **Mr. Mazumdar** (India) said that he would like to know whether the Office of Legal Affairs was being investigated in one of the 27 cases previously mentioned, in which an individual was accused of disqualifying a lowest bidder with the help of the Office. He wondered whether any action had been taken against the relevant official of that Office pending the result of such an investigation. The Office should be held responsible if it had helped to disqualify a lowest bidder.

35. **The Chairman** said that there had been a request to hold another formal meeting to continue the discussion.

36. **Mr. Elnaggar** (Egypt), speaking on a point of order, said that the delegations which had raised questions had not requested that the Secretariat should answer them in a formal setting. However, having begun the discussion in a formal setting, the Committee should continue it in that setting, in accordance with its practice.

37. **Mr. Drogenik** (Austria), speaking on behalf of the European Union, said that there had already been two formal meetings on the item. Committee members should recognize that they were the masters of their own procedures. If there was no request for a formal meeting, the European Union would prefer to receive the answers in writing from the Secretariat in an informal setting in order to streamline the discussion.

38. **Ms. Lock** (South Africa), speaking on behalf of the Group of 77 and China, recalled that on 24 May a delegation had requested that the Secretariat should provide, in a formal meeting, written responses to questions that had been posed by the Group of 77 and China and by delegations of countries belonging to that Group. The Group itself had not made such a request,

although it could have done so, in line with the practice of the Committee. The Group did not intend to delay the informal consultations on the issue or to prolong the debate. While it would have preferred to receive the answers at the current meeting, it understood that the Secretariat needed more time for consultation. In line with another delegation's request that the Secretariat's responses should be given in a formal setting, the Group asked that the additional questions raised during the current meeting should also be answered in a formal setting.

39. **Mr. Elnaggar** (Egypt) said that, unlike the representative of Austria, he did not believe that the Committee was free to do as it wished regardless of the rules of procedure.

40. **Mr. Mazumdar** (India) said that, unfortunately, various delegations had expressed their dissatisfaction with the responses to the questions raised. To give the Secretariat due process, it was only fair to allow it to provide further responses in a formal meeting.

41. **The Chairman** said that the Bureau would schedule another formal meeting to continue the discussion.

The meeting rose at 11.15 a.m.