

OUTSTANDING ISSUES ON GOVERNANCE AND OVERSIGHT



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Outstanding Issues on Governance and Oversight

Background

1. While adopting the 2005 World Summit Outcome, the United Nations General Assembly requested “... the Secretary-General to submit an independent external evaluation of the auditing and oversight system of the United Nations, including the specialized agencies, including the roles and responsibilities of management, with due regard to the nature of the auditing and oversight bodies in question. This evaluation will take place within the context of the comprehensive review of the governance arrangements.” (A/Res/60/1 paragraph 164b 16 September 2005).
2. Accordingly, the Secretary-General proposed (A/60/568 paragraph 7-9 dated 28 November 2005) to the General Assembly that “...consultants undertake the review, [and that] a steering committee, composed of international independent experts in the field of governance and oversight, be established with the responsibility to coordinate and supervise the development and implementation of the entire project.”
3. The report of the Steering Committee on the Comprehensive Review of Governance and Oversight within the United Nations and its Funds, Programmes and Specialized Agencies – referred to as the Steering Committee hereafter – was transmitted to the General Assembly in July 2006 (document A/60/883 dated 10 July 2006). The Advisory Committee on Administrative and Budgetary Questions (ACABQ) reviewed the report and submitted its recommendations to the General Assembly through the Fifth Committee.
4. In the meantime, the Joint Inspection Unit (JIU) had conducted a study entitled “Oversight Lacunae in the United Nations System” (JIU/REP/2006/2), which was transmitted to the General Assembly for its consideration in May 2006 (A/60/860/Add.1).
5. Following discussions on these two reports, the United Nations General Assembly adopted resolution A/Res/61/245 to endorse the conclusions and recommendations of ACABQ on the comprehensive review of governance and oversight in the United Nations and its funds, programmes and specialized agencies. ACABQ had identified (A/61/605) five issues for early decision – two concerning governance and three on oversight – from the recommendations of the Steering Committee. Those issues are:
 - i. strengthening results-based management;
 - ii. strengthening overall accountability of executive management;
 - iii. putting into effect the Independent Audit Advisory Committee;
 - iv. the operational independence of the Office of Internal Oversight Services;
and

- v. the strengthening of the internal control framework and the related application of risk management.
6. The General Assembly requested the Secretary-General to report on:
 - i. enterprise risk management and internal control frameworks;
 - ii. results-based management; and
 - iii. Accountability Framework.
7. The decision of the General Assembly was based on (i) the *United Nations Code of Governance* (see Annex I) recommended by the Steering Committee in its “Comprehensive Review of Governance and Oversight” (A/60/883/Add.1 Chapter 2.3 and 2.5) and (ii) the recommendations (see Annex II) in the report of the Joint Inspection Unit “Oversight Lacunae in the United Nations System” (A/60/860)
8. WFP meets many of the recommendations in the *United Nations Code of Governance* and many of those made by the Joint Inspection Unit. However, there are issues where WFP does not meet them fully; many of these have been under discussion and are matters for decision by the Executive Director or the Board. They are set out below in four categories for the Board to consider. Annex IV gives an overview of the current governance and oversight architecture in the United Nations.
9. It should be noted that details for implementing these codes and best practices need to be worked out, together with the cost implications.

Short-term (within a year):

10. These issues fall under the authority of the Board and can be concluded in six to nine months.

Succession Planning for the Board

11. The *United Nations Code of Governance* 3.3 provides that the governing bodies and management of United Nations entities shall have succession plans in place.
12. A formal plan exists for the succession of the President of the Board. Discussions are being held in the Lists to refine the succession arrangements of Bureau members. The succession of Board members is determined in an inter-governmental process based on the allocation of seats on a List basis, negotiations among the Lists and, if necessary, elections.
13. The Board can conclude the succession planning issue at its 2007 Second Regular Session.

Evaluation of the Board’s Performance

14. The *United Nations Code of Governance* 4.5 provides that the United Nations entity’s governing body shall conduct and report on its performance on an annual basis through facilitated evaluation.
15. There is no provision for annual facilitated evaluation. However, the Board issues an annual report of its performance to the Economic and Social Council

of the United Nations (ECOSOC) and to the Food and Agriculture Organization of the United Nations (FAO) Conference in a harmonized format.

16. The issue of Board performance was discussed in the Governance Group of the Executive Board: it was concluded informally that a discussion on the Board's performance should take place at the end of each session. Although this is not a facilitated evaluation, the Board can begin to adopt this element of the *United Nations Code of Governance* by taking a decision to devote some time to discussing its performance at the end of each session.

Code of Conduct for the Board

17. The United Nations Code of Governance 5.2 provides that the United Nations entity shall have a written Code of Conduct which reflects its values and appropriate investigation and disciplinary procedures with sanctions for any violations of this code.
18. The International Civil Service Commission (ICSC) code of conduct applies to all civil servants, but there is no code of conduct for members of the Board.
19. The Board could decide to have a code of conduct for itself at its 2007 Second Regular Session; it could be drafted by the Secretariat for adoption at the Board's 2008 First Regular Session.
20. The code of conduct would be expected to include items related to (i) basic standards of conduct, (ii) disclosure of conflicts of interest, (iii) disclosure of personal financial affairs, (iv) conditions for future employment, (v) disclosure of information, (vi) gifts and entertainment, and (vii) conduct in the institution, together with definitions and applicability.

Term limit of the External Auditor

21. The United Nations Code of Governance 6.4 provides that the External Auditor shall be appointed by and accountable to an entity's assembly of member states through its audit committee.
22. JIU recommendation 5 provides that the legislative bodies should direct that term limits be established for external auditors of the United Nations system and that individuals who have worked as external auditors be barred from taking up executive functions for a period of three years in organizations for which they had oversight responsibilities.
23. The Board appoints WFP's external auditors for a four-year period; they may be reappointed for one further four-year term. The Board is discussing the length of the terms and the modalities of reappointment.
24. The Board can comply with this code by concluding the discussion on the terms and the reappointment of the External Auditor at its 2007 Second Regular Session.

Submission of the Internal Oversight Reports to the Board

25. The Steering Committee recommended that "...since transparency is an important pillar establishing independence, internal audit reports should continue to be available to member states on request to the Independent Audit

Advisory Committee (IAAC), once the professional process for issuing reports to the IAAC has been completed.”

26. JIU recommendation 11 provides that the legislative bodies in each organization should direct their executive heads to ensure that the following minimum standards are in place for reporting on internal oversight:
 - i. Internal oversight reports must be submitted to the executive head.
 - ii. An annual summary internal oversight report must be submitted independently to the oversight board for its review, with the comments of the executive head submitted separately.
 - iii. Individual internal audit, inspection and evaluation reports must be provided to the oversight board on request.
 - iv. Individual investigation reports must be provided to the oversight board on request, with safeguards for confidentiality.
27. In WFP, all evaluation reports by the Office of Evaluation (OEDE) and its annual report are shared formally and informally with the Board. The biennial report of the Inspector General is also presented to the Board.
28. Individual audit, inspection and investigation reports are not shared with the Board. The issue of sharing internal audit reports with the governing bodies is being discussed and coordinated at the Chief Executives’ Board (CEB) level to reach a common position. WFP is participating at several levels. The CEB will adopt a position in the autumn of 2007, after which the Secretariat will make a proposal to the Board for its approval.

Medium Term

29. These are issues that require external consultation and advice from advisory bodies to harmonize with other United Nations agencies. They may be completed in one to three years.

Independent Oversight Board/Audit Committee

30. The United Nations Code of Governance 6.2 provides that each United Nations entity’s Governing Body shall have an Audit Committee, which shall comprise experts independent from management and from the entity’s Member States’ representatives, who are financially literate and at least one of whom is a qualified accountant and/or auditor. The Governing Body shall approve its membership and ensure it has appropriate terms of reference.
31. JIU recommendation 1 provides that the legislative bodies of United Nations organizations shall establish an independent external oversight board of five to seven members, all of whom shall be elected by Member States to represent the collective interests of the governing bodies. They should have experience in 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.
32. WFP has no independent external oversight/audit committee. The Board at various times has discussed its relationship to the Evaluation and Audit function.

33. WFP has an internal Audit Committee appointed by the Executive Director. Following consultation with the Bureau, the internal Audit Committee was reconstituted in July 2004 with a majority of members, including the chairman, external to WFP.
34. WFP's External Auditor in his long-form report on biennial financial statements for 2004–2005 recommended "...to reinforce the independence of the Audit Committee and to ensure a closer alignment of WFP's arrangements with best practice in governance, the Board formally acknowledge the role and mandate of the Audit Committee" (WFP/EB.A/2006/6-A/1/3). In considering this recommendation, the FAO Finance Committee (WFP/EB.A/2006/6/3) recommended that the Board consider the implications of the recommendation before taking action on it and that WFP should consult the United Nations and FAO.
35. On 10 and 17 May 2006, through the Bureau, the Board requested the Secretariat to explore possible changes in the composition and reporting lines of the WFP Audit Committee, including whether it should be appointed by and report to the Board rather than the Executive Director. The Secretariat engaged an external consulting firm to undertake this study, which was presented at an informal consultation in October 2006.
36. WFP believes that its governance should meet the highest standards of United Nations agencies and comparable public-sector organizations. It has consistently been in the forefront of governance and oversight developments in the United Nations system. Recently, the United Nations General Assembly adopted a resolution approving the terms of reference of the Independent Audit Advisory Committee appointed by and reporting to the General Assembly (see Annex III of this document). It would be useful to have the guidance of the membership on establishing a similar audit committee in line with evolving best practice in the UN system.

Budget of Oversight Bodies

37. While analysing the gap in the United Nations system, the Steering Committee had recommended that the Office of Internal Oversight Services (OIOS) in the United Nations work with management to prepare a budget for the OIOS based on the degree of risk in the activities that the OIOS has the responsibility for and with some provision for unknown risk. This budget should be presented by the head of the OIOS to the Independent Audit Advisory Committee as the oversight body acting on behalf of the General Assembly, and then for approval to the General Assembly with advice from the IAAC.
38. JIU recommendation 9 provided that 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 transmission to the appropriate governing body.
39. The budget of the Oversight Services Division (OSD) is prepared as part of the biennial budget and presented in a consolidated single WFP budget. The budget of OEDE, also prepared as a part of the biennial budget, is given in an Annex in the Management Plan.

40. The Board can provide guidance to the Secretariat on this matter once it has deliberated on the Audit Committee or Oversight Board.

Comprehensive Accountability Framework

41. The United Nations Code of Governance 6.1 provides that it is the Governing Body's ultimate responsibility to satisfy itself that management has a robust framework for internal controls, risk management, systems and compliance with laws, regulations and appropriate accounting standards. These responsibilities shall be reflected in statements by the United Nations entity's Governing Body in the entity's annual or biennial report, showing how they have been discharged.
42. JIU does not recommend the adoption of accountability frameworks; all the recommendations of JIU taken together become a framework for accountability.
43. With the guidance of the Board, the Secretariat can develop an accountability framework for adoption by the Board that sets out the accountability of the membership, the Board, the Executive Director and the Secretariat, including internal control mechanisms and the roles of the External Auditor and the Audit Committee.
44. The accountability framework would include, for example, provisions of the General Regulations such as:
 - i. GR VI: The Board shall be responsible for providing inter-governmental support and specific policy direction to and supervision of the activities of WFP.
 - ii. GRVI.3: The Board shall provide a concise report annually on WFP's programmes, projects and activities including major decisions of the Board to the substantive session of ECOSOC and the council of FAO.
 - iii. GRVII.1: The Secretariat of WFP shall be headed by an Executive Director, who shall be responsible and accountable to the Board for the administration of WFP and for the implementation of WFP programmes, projects and other activities.
 - iv. GR VII.2: Each year the Executive Director shall submit to the Board for its consideration and approval an Annual Report and other reports as directed by the Board.

Long-term

45. These include issues which require changes in the General Regulations, and approval by the General Assembly and the FAO Conference, and hence, have to be planned diligently. Therefore, these actions can be expected to be completed from three to five years.

Independent Expert Committee

46. The *United Nations Code of Governance* 1 provides that the expert committees of the Governing body should be comprised of members who are independent of the entity's management and the Member State representatives.

47. Rule XIII of the Procedures of the Board provide for the establishment of working groups or other subsidiary bodies in WFP.
48. The proposed audit/oversight committee reporting to the Board would be one such independent committee. The Board may wish to discuss the issue and provide guidance to the Secretariat.

Appointment of the Executive Director

49. The United Nations Code of Governance 2.6 provides that the governing body is responsible for appointing a chief executive officer through a formal and transparent process.
50. General Regulations Article VII.2 provides that the WFP Executive Director shall be appointed by the Secretary-General of the United Nations and the Director-General of FAO after consultation with the Board. A process has been developed to ensure consultation with the Board.
51. If the Board would like to discuss this issue, it can make a proposal for the approval of the General Assembly and the FAO Conference through ECOSOC and the FAO council.

Action by the Secretariat

52. Many of the *United Nations Code of Governance* and JIU recommendations on oversight mechanisms are under the authority of the Executive Director. Some of these are already being implemented; most can be implemented within a year.

Management Succession Planning

53. There is no succession planning in place for management. To be consistent with the *United Nations Code of Governance* 3.3, the Secretariat can develop a succession planning policy and present it to the Board for information in the medium term.

Employment of Former External Audit Staff

54. There is no bar on employment of External Audit staff by WFP. However, to be consistent with JIU recommendation 5, the Secretariat can adopt a policy of barring the staff of external auditors for taking up executive functions for a fixed period.

Structure of Oversight Functions

55. The Steering Committee recommended renaming OIOS to the Office of Internal Audit Services (OIAS). In considering this recommendation, however, the Fifth Committee of the General assembly agreed only to transfer the management consultancy services out of OIOS and retain the oversight functions of internal audit, investigation, inspection and evaluation as part of OIOS.
56. JIU recommendation 6 provides that executive heads should review the current structure of internal oversight in their respective organizations and ensure that audit, inspection, investigation and evaluation functions are consolidated in a single unit under the head of internal oversight reporting directly to the

executive head. Any functions other than the four oversight functions should be positioned elsewhere in the secretariats and not the internal oversight unit.

57. In WFP, audit, evaluation, investigation and inspection functions were consolidated into a single Oversight Services Division in 2001. In 2003, the evaluation function was detached from the Oversight Services Division and attached to the Results-Based Management (RBM) Division. Since 2007, the evaluation function has operated as a stand-alone division. The Executive Director may review the structure and adjust it as appropriate in line with evolving best practices and the needs of WFP.

Appointment and Term limit of the Head of Oversight Services

58. The Steering Committee recommended that the term limit imposed on the Head of OIOS (5 years) should be revisited and consideration should be given to either (a) a non-renewable term limit of substantially longer period (e.g., 7–10 years), or (b) a term of 5–7 years in duration renewable once time only.
59. JIU recommendation 10 provides that with respect to the appointment of the head of internal oversight, the legislative bodies in each organization should decide that:
 - i. qualified candidates should be identified on the basis of a vacancy announcement that should be widely publicized;
 - ii. appointment should be subject to consultation and prior consent of the governing body;
 - iii. termination should be for just cause and should be subject to the review and consent of the governing body; and
 - iv. 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.
60. In WFP, the Inspector General and the Director of Evaluation are appointed by the Executive Director and serve at her/his pleasure, with information provided to the Board. There are no term limits.
61. The Executive Director may consider following the practice of some other United Nations agencies to propose a candidate for the position of the head of oversight services to the Board for endorsement; this should be based on the needs of WFP. The Executive Director may also propose term limits for the heads of the Inspector General and Director OSD and the Director OEDE.

Financial Disclosure

62. In line with United Nations Code of Governance 5.2 requiring United Nations entities to have written codes of conduct that reflect their values and to have investigation and disciplinary procedures with sanctions for violations of the code, the Steering Committee recommended the establishment of policies on disclosure, ethics and whistleblowing.

63. JIU recommendation 16 provides that the legislative bodies in each organization should direct their executive heads to make proposals for establishing confidential financial disclosure requirements for all elected officials and all staff at the D-1 level and above, and for annual filing of the financial disclosure statements to the Ethics Office for review.
64. A proposal to amend staff rules is expected to be complete by the end of 2007. A policy document will be issued at that time.

Ethics Function

65. As part of creating an ethical environment, the Steering Committee has recommended United Nations Code of Governance 5.3 “There shall be mechanisms for enabling responsible whistleblowing, including appropriate whistleblower protection.”
66. JIU recommendation 15 provides that the legislative bodies in each organization should direct their executive heads to make proposals for (i) establishing an ethics function with clear terms of reference, which should be published, (ii) establishing a post of ethics officer at the D-1/P-5 level in the office of the executive head and (iii) establishing mandatory integrity and ethics training for all staff, particularly newly recruited staff.
67. WFP has taken steps to create an ethical environment: it has issued policies on harassment, sexual harassment and the abuse of power and whistleblower protection, and is proceeding with a financial disclosure policy. The Secretariat had planned for the existing offices of the Inspector General, the Director of Human Resources and the Director of the Legal Services Division (LEG) to be responsible for implementing these policies without a separate ethics office. However, the Executive Director is considering designating an Ethics Officer in line with evolving practice in the United Nations System.

Proposed United Nations Code of Governance¹

1. Governance – Strategy, Mission, Planning and the Governing Body

- 1.1 Each UN entity shall have a Governing Body, appointed by the Assembly of its Member States' representatives, which shall adopt governance practices based on the principles of fairness, accountability, transparency and responsibility. The individuals who comprise the UN entity's Governing Body shall act in good faith with care, skill and diligence. The General Assembly is the Governing Body of the Secretariat.
- 1.2 The role of the UN entity's Governing Body shall be to set and maintain the strategic direction of the entity, the effective and efficient allocation of resources and the effective monitoring of management and the operation of the UN entity.
- 1.3 The Governing body of each such UN entity should have a strategic plan that reflects how the entity will seek to fulfil its purpose efficiently, effectively and sustainably.
- 1.4 The purpose of the UN entity, its stakeholders (such as Members States' representatives as well as others), its tolerance for risk and its key performance indicators shall be defined and reflected in the UN entity's policy statements, communications, decision making and working practices.
- 1.5 The expert committees of the Governing body should be comprised of members who are independent of the entity's management and the Member State Representatives.

2. Governance – Governing Body and Committee Structures

- 2.1 In the interests of efficiency and effectiveness, the UN entity's Governing Body shall appoint Committees with defined terms of reference and levels of authority and whose membership has necessary technical and/or management expertise in order to make recommendations to the Governing Body or act on its behalf (for example: budget and finance committee, ethics committee, human resources committee, audit committee, other technical committees).
- 2.2 Where the UN entity's Governing Body delegates authority it shall not abdicate its ultimate responsibility for a Committee's actions or omissions with regard to matters such as resource allocation, risk management, internal controls, remuneration and financial reporting.
- 2.3 The UN entity's Governing Body and its Committees shall have access to expert advice independent from management and from the entity's Member States' representatives.

¹ UN General Assembly document A/60/883/Add.1 Comprehensive review of governance and oversight within the United Nations and its funds, programme and specialized agencies, Chapter 2.3, paragraph 23

- 2.4 Nominations and appointments to committees of the Governing Body should be made on the basis of formal transparent procedures and criteria agreed by the UN entity's Governing Body and the Assembly of Member States.
- 2.5 A significant proportion of the UN entity's Governing Body and Committee members (for example one third) shall rotate on a regular basis, and according to rotation periods and criteria agreed by the Governing Body itself and the Assembly of Member States.
- 2.6 The Governing Body is responsible for appointing a chief executive officer for the UN entity through a formal and transparent process.

3. Governance – Human Resources Management

- 3.1 Competencies of the UN entity's Governing body, its Committees and executive management shall reflect the knowledge and skills, including specific technical knowledge and skills, needed to fulfil the purpose of the UN entity and to implement its strategic direction.
- 3.2 The UN entity's Governing Body shall ensure that compensation policies and practices for independent expert Committee members as well as executive management are supported by the entity's providers of funding, fully disclosed, consistent with the UN entity's culture and the individual's performance.
- 3.3 The UN entity's Governing Body, its Committee, and executive management shall all have succession plans in place.

4. Governance – Transparency and Disclosure

- 4.1 The UN entity's management shall provide timely disclosure to the entity's Governing Body and appropriate Committees of all matters of significance regarding the entity, including its financial situation and performance.
- 4.2 The UN entity's Governing Body shall provide timely disclosure to the Assembly of Member States and the entity's other relevant stakeholders of all matters of significance.
- 4.3 The UN entity's Governing Body, Committee members and executive management are required to disclose all relevant personal and related party financial matters and interests that may give rise to any conflict of interest.
- 4.4 The UN entity's Governing Body, Committees and executive management shall demonstrate probity in the conduct of their activities.
- 4.5 The UN entity's Governing Body shall conduct and report on its performance on an annual basis through facilitated evaluation.

5. Governance– Ethical Environment

- 5.1 The manner in which the UN entity is governed shall ensure that the UN entity acts and is seen to act responsibly and responsively to its stakeholders, including its Member States, the beneficiaries of its activities and the providers of its funds.

- 5.2 The UN entity shall have a written code of conduct, which reflects its values and appropriate investigation and disciplinary procedures with sanctions for any violations of this code.
- 5.3 There shall be mechanisms for enabling responsible whistle blowing, including appropriate whistleblower protection.

6. Oversight – Audit, Risk Management and Compliance

- 6.1 It is the Governing Body's ultimate responsibility to satisfy itself that management has a robust framework for internal controls, risk management, systems and compliance with laws, regulations and appropriate accounting standards. These responsibilities shall be reflected in statements by the UN entity's Governing Body in the entity's annual or biennial report, showing how they have been discharged.
- 6.2 Each UN entity's Governing Body shall have an Audit Committee, which shall comprise experts independent from management and from the entity's Member States' representatives, who are financially literate and at least one of whom is a qualified accountant and/or auditor. The Governing Body shall approve its membership and ensure it has appropriate terms of reference.
- 6.3 Each UN entity shall have a professional and competent Internal Audit function, which shall be accountable to the UN entity's Executive Management but has the right to report independently to the UN entity's Governing Body, through the Audit Committee, and shall have appropriate terms of reference, which shall include a requirement for regular quality reviews.
- 6.4 External Audit shall be appointed by and accountable to the entity's Assembly of Member States, through the entity's Audit Committee.

JIU Recommendations²

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.

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.

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.

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.

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 staffs 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.

² UN General Assembly document A/60/860 Oversight Lacunae in the United Nations System by the Joint Inspection Unit.

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.

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).

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.

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.

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.

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.

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

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.

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.

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.

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.

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.

Terms of Reference and Criteria for Membership in the Independent Audit Advisory Committee³

Terms of Reference

Role

1. The Independent Audit Advisory Committee, as a subsidiary body of the General Assembly, serves in an expert advisory capacity and assists the Assembly in fulfilling its oversight responsibilities.

Responsibilities

2. The responsibilities of the Committee are:

General

- (a) To advise the General Assembly on the scope, results and effectiveness of audit as well as other oversight functions;
- (b) To advise the Assembly on measures to ensure the compliance of management with audit and other oversight recommendations;

Internal Oversight

- (c) To examine the work plan of the Office of Internal Oversight Services, taking into account the work plan of the other oversight bodies, with the Under-Secretary-General for Internal Oversight Services and to advise the Assembly thereon;
- (d) To review the budget proposal of the Office of Internal Oversight Services, taking into account its work plan, and to make recommendations to the Assembly through the Advisory Committee on Administrative and Budgetary Questions; the formal report of the Independent Audit Advisory Committee should be made available to the Assembly and to the Advisory Committee on Administrative and Budgetary Questions prior to their consideration of the budget;
- (e) To advise the Assembly on the effectiveness, efficiency and impact of the audit activities and other oversight functions of the Office of Internal Oversight Services;

Management of Risk and Internal Controls

- (f) To advise the Assembly on the quality and overall effectiveness of risk management procedures;
- (g) To advise the Assembly on deficiencies in the internal control framework of the United Nations;

³ United Nations General Assembly document A/61/980 (Annex)

Financial Reporting

- (h) To advise the Assembly on the operational implications for the United Nations of the issues and trends apparent in the Organization's financial statements and the reports of the Board of Auditors;
- (i) To advise the Assembly on the appropriateness of accounting policies and disclosure practices and to assess changes and risks in those policies;

Other

- (j) To advise the Assembly on steps to increase and facilitate cooperation among United Nations oversight bodies.

Membership

- 3. The Committee shall comprise five members, no two of whom shall be nationals of the same State, appointed by the General Assembly on the basis of equitable geographical representation, personal qualifications and experience.

Meetings and Reporting

- 4. The Committee may adopt its own rules of procedure, which shall be communicated to the General Assembly. The Committee shall meet up to four times a year, in coordination with the relevant activities of the United Nations and the Assembly and in accordance with Assembly resolutions on the pattern of conferences. The Committee shall work on the basis of consensus. A quorum shall be any three members of the Committee.
- 5. The Committee shall submit an annual report to the General Assembly containing its advice. The Committee shall also report key findings and matters of importance to the Assembly at any time. The Chairperson of the Committee shall attend hearings to respond to questions on the activities and findings of the Committee.

Conditions of Service

- 6. The members will receive a per diem and will be reimbursed for travel expenses incurred to attend the sessions of the Committee.
- 7. The members of the Committee shall be appointed and shall serve for three years, and can be re-elected for a second and final term of three years, with the exception of two of the initial five members of the Committee, who shall be appointed by drawing of lots to serve for four years.

Review of the Terms of Reference

- 8. The terms of reference and mandate of the Committee shall be subject to review by the General Assembly.

Secretariat Support

- 9. The Committee shall be supported by a dedicated secretariat that will operate with autonomy similar to that of the secretariats of the Advisory Committee on Administrative and Budgetary Questions and the International Civil Service Commission.

Criteria for membership

Experience, Qualifications and Independence

10. All members shall reflect the highest level of integrity and shall serve in their personal capacity, and in performing their duties they shall not seek or receive instructions from any Government. They shall be independent of the Board of Auditors, the Joint Inspection Unit and the Secretariat and shall not hold any position or engage in any activity that could impair their independence from the Secretariat or from companies that maintain a business relationship with the United Nations, in fact or perception.
11. All members must have recent and relevant senior-level financial, audit and/or other oversight-related experience. Such experience should reflect, to the extent possible:
 - (a) Experience in preparing, auditing, analysing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues faced by the United Nations, including an understanding of relevant accepted accounting principles;
 - (b) An understanding of and, if possible, relevant experience in the inspection, monitoring and evaluation and investigative processes;
 - (c) An understanding of internal control, risk management and procedures for financial reporting;
 - (d) A general understanding of the organization, structure and functioning of the United Nations.
12. Former senior United Nations Secretariat officials shall not be eligible for election to the Committee within five years of separation from service. The members of the Committee shall not be eligible for appointment in the Secretariat within five years of the expiry of their terms.

Identification and Selection

13. Members, to be nominated by the Member States, shall be appointed by the General Assembly, preferably from a compendium of at least ten suitably qualified candidates, with due regard being paid to equitable geographic representation. Before nominating candidates, Member States are recommended to evaluate their candidates and attest to their qualifications on the basis of paragraph 11 above on the criteria for membership of the Committee through consultation with an international organization with relevant expertise in the functions performed by audit and oversight organizations, such as the International Organization of Supreme Audit.

Note on the Governance and Oversight Architecture in the United Nations

1. The United Nations system consists of the United Nations secretariat, the funds and programmes and the specialized agencies. The United Nations secretariat is accountable to the General Assembly and its committees. The funds and programmes are accountable to their executive boards, which in turn report to ECOSOC and through it to the General Assembly. The specialized agencies have their own governing bodies: for instance, FAO has its Conference and Council. WFP is an exception because of its dual parentage: its Executive Board reports to ECOSOC/General Assembly and to the FAO Conference.
2. The General Assembly operates through the Fifth Committee for the consideration of administrative and financial matters brought before the General Assembly. ACABQ reviews all administrative and budgetary matters and provides it advice through the Fifth Committee to the General Assembly. In the case of WFP, General Regulation XIV.4 provides that in all matters relating to the financial administration of WFP, the Board shall draw on the advice of ACABQ and the FAO Finance Committee.

External Auditor

3. In terms of independent external oversight, the United Nations Board of Auditors is the external auditor for the United Nations secretariat and the funds and programmes accountable to ECOSOC/General Assembly. The United Nations Board of Auditors reports to the General Assembly through the relevant committees. Specialized agencies have their own external auditors appointed by and reporting to their governing bodies. WFP's External Auditor is appointed by and reports to its Executive Board.

Internal Oversight

4. For the United Nations secretariat, the internal oversight functions such as internal audit, investigation, inspection and evaluation were consolidated into a single Office of Internal Oversight in 1994 and placed under the leadership of an Under-Secretary General. OIOS provides a full range of oversight services to the United Nations secretariat and some services such as audit and investigation to the Office of the United Nations High Commissioner for Refugees (UNHCR), the International Trade Centre (ITC), the United Nations Human Settlements Programme (UN-Habitat), the United Nations Office on Drugs and Crime (UNODC), the United Nations Environment Programme (UNEP), the United Nations Institute for Training and Research (UNITAR) and the United Nations University (UNU). It also has memoranda of understanding with some other funds and programmes whereby they can request its services on payment.

5. All the specialized agencies have their own internal oversight services. In some, they are consolidated into a single office; prominent among these are the United Nations Educational, Scientific and Cultural Organization (UNESCO), the International Civil Aviation Organization (ICAO), the World Health Organization (WHO), the World Meteorological Organization (WMO), the International Maritime Organization (IMO), the World Intellectual Property Organization (WIPO), and the International Atomic Energy Agency (IAEA). In others – the International Labour Organization (ILO), FAO and the International Telecommunication Union (ITU) – the evaluation function is separate from the audit and the investigation functions..
6. All funds and programmes have their own internal oversight services. The United Nations Development Programme (UNDP) has its Office of Audit and Performance Review (OAPR), which carries out audit and investigation functions; evaluations are conducted by a separate Evaluation Office (EO). The United Nations Population Fund (UNFPA) has a Division of Oversight Services which conducts audits, inspections and evaluations; investigations are handled either by its Human Resources department or by OIOS or OAPR. UNICEF has its Office of Internal Audit (OIA), which conducts audit and investigation, and EO, which conducts evaluations. An organizational review in UNICEF recommended co-location of these oversight functions, which UNICEF plans to implement. In WFP, the oversight functions were consolidated and placed in OSD. In 2003 the evaluation function was detached from OSD and placed under then newly created Results-Based Management Division (OEDR). Results-based management was mainstreamed in 2006, making the evaluation function a stand-alone division.

Audit Committee

7. For the United Nations secretariat, the General Assembly has agreed to constitute the IAAC as a subsidiary body of the General Assembly. Its terms of reference were recently approved by the General Assembly (Annex III)
8. The funds and programmes have audit committees appointed by and reporting to the executive heads of the organizations. Some have reporting lines to their executive boards.

Acronyms Used in the Document

ACABQ	Advisory Committee on Administrative and Budgetary Questions
CEB	Chief Executives' Board
ECOSOC	Economic and Social Council of the United Nations
EO	Evaluation Office
FAO	Food and agriculture Organization of the United Nations
IAAC	Independent Audit Advisory Committee
IAEA	International Atomic Energy Agency
ICAO	International Civil Aviation Organization
ICSC	International Civil Service Commission
ILO	International Labour Organization
IMO	International Maritime Organization
ITC	International Trade Centre
ITU	International Telecommunication Union
LEG	Legal Services Division (LEG)
OAPR	Office for Audit and Performance Review (UNDP)
OEDE	Office of Evaluation
OEDR	Results-Based Management Division
OIA	Office of Internal Audit (UNICEF)
OIAS	Office of Internal Audit Services
OIOS	Office of Internal Oversight Services
OSD	Oversight Services Division
RBM	results-based management
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UN-Habitat	United Nations Human Settlements Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNITAR	United Nations Institute for Training and Research
UNODC	United Nations Office on Drugs and Crime
UNU	United Nations University
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization