

United Nations  Nations Unies

BOARD OF AUDITORS

NEW YORK

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OPENING STATEMENT TO THE FIFTH COMMITTEE ON
THE REPORT OF THE BOARD OF AUDITORS:
ENHANCING ACCOUNTABILITY, TRANSPARENCY AND COST-
EFFECTIVENESS IN THE UN SYSTEM: PROPOSAL TO CLARIFY AND
ENHANCE THE BOARD OF AUDITORS' ROLE IN THE CONDUCT OF
PERFORMANCE AUDITS (A/66/747; A/66/747/CORR.1)

Mr. President, Distinguished members,

Good morning.

On behalf of the Chairman, Mr. Liu Jiayi, and the other members of the Board, I have the honor to present our report on: Enhancing accountability, transparency and cost-effectiveness in the UN system: Proposal to clarify and enhance the Board of Auditors' role in the conduct of performance audits. (Hereafter referred to as 'Performance audit report')

Background for this paper

As requested by the General Assembly resolution (A/RES/65/243B), the Board has consulted on its proposal with the Administration and OIOS. The Board also extended its consultation with the IAAC and JIU, and informally with some of the internal audit services of the Funds and Programmes. The Board has taken into account the results of these consultations in the finalisation of this proposal.

Board's current functionality and reporting structure

The UN Financial Regulations and Rules (FRR) already recognise the wide role for external auditors by providing the Board with a discretionary mandate that extends beyond the audit of the financial statements. Specifically, Regulation 7.5 states that *'The Board of Auditors may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Organisation'*.

This mandate allows the Board to examine of how well UN organisations have utilised the resources of member states to deliver their mandates. Indeed the General Assembly (A/RES/66/209) also recognises the important role of supreme audit institutions in promoting the efficiency, accountability, effectiveness and transparency of public administrations.

The Board has for many decades been examining 'management' issues under Regulation 7.5, using its discretionary mandate to select topics for examination and reporting on the results in its 'long form reports'; whilst in other instances, the ACABQ has used Regulation 7.7 to request the Board to conduct specific examinations and to issue separate reports on the results.

In addition to topic specific reports submitted at the request of ACABQ under Regulation 7.7, the Board submits entity specific Long form and Short form reports on a biennial basis. The Short form report includes the Board's opinion on the Financial statements and

the Long form report includes the critical managerial, operational and compliance issues that need to be reported to the General Assembly.

Case for change

The principles of public accountability, transparency and effective governance require that the Administrations managing these organisations be held publicly responsible for their economic, efficient and effective management and not simply for producing properly presented financial statements. The examination of this core managerial responsibility is a key function of external auditors in the public sector, and it is the strong view of the Board and Supreme Audit Institutions that the same principles and roles apply directly in the international public sector organisations. Although, the Board has been conducting performance audits, through its discretionary mandate under the UN Financial Regulations and Rules, Regulation 7.5 does not, fully and clearly encapsulate all the elements of modern public sector performance auditing, particularly in relation to the economy and effectiveness of operations.

Further, with the implementation of IPSAS by eight entities from 2012, the number of reports will increase because of a move from a biennial to annual reporting cycle. The number of reports will increase further as more entities adopt IPSAS in the coming years. This will significantly impact on the work of the Board, Administration, the ACABQ and the General Assembly. Within this context, the Board sees the need and opportunity now for rationalisation of the size and content of the long form audit reports. The requirement to have a Long form report for all entities irrespective of the risks to the UN is time consuming and may not be cost effective. Therefore, for those small entities with low risks, the Board proposes preparing short form reports only.

Moreover, the timing of the long form report is largely restricted to the financial accounting and audit cycle, which could in some instances mean that the General Assembly does not receive timely and independent external audit assessments and reports on major issues and concerns that the Board identifies during its audits. In many cases the Board is ready and able to report, on strategically important issues both within and across UN organisations, to the General Assembly for its consideration, within a shorter and more responsive timeframe through further in-depth topic specific studies. However, currently, topic specific reports can only be prepared if there is a request from the ACABQ.

Proposals for change

The Board requests the General Assembly to:

- (a) Endorse that, as the independent external auditors of the United Nations and its Funds and Programmes, the Board has a fundamental role to play in contributing to

enhanced accountability, transparency, governance and value for money, through the conduct of performance audit;

- (b) Amend Regulation 7.5 to bring it in line with the current practice of public sector external audit and performance auditing when the Financial Regulations and Rules of the United Nations are next revised ; and/or
- (c) Endorse the Board's proposals under the existing regulations for streamlining its current long form reports, and balancing this with more topic specific audit reports (no more than an additional three¹ such reports within its current resources) based on the Board's own assessment of the risks to cost-effective delivery and use of resources by UN organisations (having first sought the concurrence of the ACABQ).

Next steps

If the General Assembly were to support the Board's proposals, the next step for the Board would be to determine a proposed programme of work showing the mix and timing of long-form, topic specific and short-form reports that would ensue. In very broad terms the topics for examinations will be on areas that the Board considers, through its previous work, risk analysis and consultations offer the greatest scope for improved cost effectiveness, and are of the greatest strategic importance to the UN and its funds and programmes.

The Board considers the arrangements described above could be instituted in 2013. The Board would deliver its normal planned programme of work up to summer 2012, ensuring sufficient time to focus on IPSAS implementation in the first eight UN entities. The first full programme of reports for discussion with ACABQ would be delivered in

¹ In addition to CMP, IPSAS and Umoja.

2013 and onward, with the tabling and discussion of the forward programme, taking place sometime in the fall of 2012. In developing the forward programme the Board would coordinate with all key stakeholders including the administrations and oversight functions.

Mr. President, Distinguished members

This concludes my presentation on the performance report. We thank you again for this opportunity to communicate with you and the distinguished members and will be more than happy to respond to any questions from the Committee.

Mr. Liu Yu

Director of External Audit (China) and Chair of Audit Operations Committee (AOC)

22 May 2012