



**JOINT INSPECTION UNIT**  
of the United Nations System

**CORPS COMMUN d'INSPECTION**  
du Système des Nations Unies

**United Nations General Assembly**

**Fifth Committee 72<sup>nd</sup> Session**

Agenda item 143 – JIU/REP/2016/8; A/72/120/Add.1

**STATEMENT BY  
INSPECTOR RAJAB SUKAYRI  
JOINT INSPECTION UNIT**

5 October 2017

Mr. Chairman, distinguished delegates,

I have the honour to introduce the report of the Joint Inspection Unit (JIU) entitled “State of the internal audit function in the United Nations system” (JIU/REP/2016/8, contained in document A/72/120).

The JIU welcomes the note of the Secretary-General reflecting his comments and those of the United Nations Chief Executives Board for Coordination (CEB) on the recommendations provided in report A/72/120 Add.1.

This system-wide review aims at providing stakeholders with an update on the status of the internal audit function in the United Nations system organizations. The review targeted two more overarching objectives: (i) to determine whether the internal audit function meets the expectations of surveyed stakeholders and where it is perceived as adding value; and (ii) to assess the role of oversight committees, wherever they exist, in supporting internal audit.

The report indicates that while internal audit functions could benefit from addressing the challenges highlighted, both internal and external stakeholders value the internal audit services provided. This simply reveals that internal audit functions are maturing, and that progress to adopt and apply best practices is recognized.

The report further affirms that internal audit is well positioned to encourage organizations in developing and maturing their “second line of defence”. It calls for the strengthening of management oversight (which is the second line of defence) by means of performance and advisory engagements, particularly in the areas of results-based management, enterprise risk management and internal control frameworks.

The report encourages governing bodies to direct executive heads to ensure that both heads of

internal audit and oversight committee chairs attend the meetings of the governing bodies and are given the opportunity to respond to questions raised about their respective annual reports. It also encourages them “to ensure that the conditions for effective, independent, expert oversight committees are in place and that the committees are fully functional”.

The report recommends, among other things, that executive heads should involve oversight committees and consult with the governing bodies in the appointment and termination of the heads of internal audit.

This review also asserts that internal audit services should allocate adequate resources to professional development of staff, as well as for expanding the use of information technology (IT) auditing techniques. Internal audit services should also increase their use of advanced data analytics and remote auditing to provide more economical and comprehensive audit coverage. Adequate resources should also be allocated to ensure sufficient coverage of high-risk areas and adherence to established auditing cycles, as identified by risk-based audit planning.

The review urges heads of internal audit to conduct external quality assessments of their services at least every five years, in line with the Institute of Internal Auditors (IIA) standards, and share the results with the governing bodies.

Finally, Mr. Chairman,

The review also urges heads of internal audit of the United Nations system to develop strategies in order to provide vision and direction as to how internal audit should be strategically positioned within their organizations, and operationalized to achieve their mandates.

The report maintains that the endorsement and implementation of the recommendations contained therein will further consolidate the key role of the internal audit function in the governance of organizations, and as an independent and objective assurance activity.

I thank you, Mr. Chairman, and look forward to your comments, and those of the distinguished delegates.

*\*\*End\*\**



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Thursday, 05 October 2017

Agenda item No. 145 – Report on the activities of the Office for Internal Oversight Services

Fifth Committee, 72nd Session

Opening statement to the Fifth Committee on the JIU Report

**“Donor-led assessments of the United Nations system organizations”**

**JIU/REP/2017/2**

Gopinathan Achamkulangare

Inspector

Mr. Chairman, distinguished delegates,

I have the honour to introduce the JIU report “Donor-led assessments of the United Nations system organizations”, contained in document A/72/298 of 8 August 2017. The views of the Secretary-General and those of the Chief Executives Board for Coordination are contained in the management response A/72/298/Add.1 of 25 August 2017.

The proportion of earmarked contributions in the mix of funding of the United Nations system organizations has gone up significantly in the past two decades. An important consequence of this shift has been the laying of greater stress by the major contributors on efficiency and effectiveness, as well as transparency and accountability in the use of financial resources. For this purpose, major contributors have been undertaking their own assessments of the capacities, capabilities and performance of the United Nations entities and their programmes to ensure that funds made available are used efficiently, for the intended objectives and with the requisite levels of accountability.

The donor-led assessments are over and above those by the existing oversight and accountability architecture of the organizations themselves. The senior managements and oversight bodies of the organizations have been expressing concerns in recent years about the increase in donor-led assessments.

Most organizations view donor-led assessments as a challenge, requiring them to divert significant amounts of time and resources from their programmes and to incur transaction costs. They point to the high risk of duplication and overlap. On occasion, an organization has to balance response to recommendations identified as priority by a bilateral donor review with the priorities for improvement and reform approved by the governing body. A number of organizations have raised the challenges posed to the single audit principle in the context of the donor-led assessments.

At the same time, many organizations have found the donor assessments to be a useful spur for introspection, and have used them as springboards to improve their internal procedures and practices.

### **Main findings of the report**

Donors conduct performance assessments of organizations to satisfy their domestic constituencies – legislatures and parliamentary committees, national audit authorities, the media, civil society and public

opinion. More importantly, they often do so in order to ensure that the funds provided are spent on programmes aligned with their national priorities.

Apart from bilateral donor assessments, the Multilateral Organization Performance Assessment Network (MOPAN) comprising 18 donor governments as members conducts performance assessments of the United Nations system organizations. However, this has not prevented some of the MOPAN members from undertaking their own assessments of organizations. Similarly, the European Commission undertakes its assessments of organizations.

Most organizations find that donors do not involve them in the planning of the reviews or their timing, and that the consultation process for the reviews is usually inadequate.

Organizations have to dedicate considerable resources, mainly staff and time, for their involvement in donor assessments. The associated transaction costs divert substantial resources from the organizations. Other areas of concern expressed by the organizations include the lack of familiarity of the external consultants engaged by the donors with the financial and related regulations and rules; conflict with the existing confidentiality and public disclosure policies; and the intrusive nature of the reviews, often going beyond the scope agreed or provided in the donor agreements or project documents. Organizations are not always informed of the methodologies or the criteria against which they are being assessed, thereby raising concerns about the quality and accuracy of the findings in the donor reviews.

The review advocates exploring new ways to bridge formally the assurance expectations and needs of the donors with the work performed by the existing oversight bodies. It supports the use of web portals and dashboards for enhancing transparency. The review calls for a consultative approach between organizations and donors, both in the planning phase and the actual conduct of the assessments, so as to contribute substantially to organizational learning, reform and improvement.

The review underscores the need for a strategic dialogue between the donors and the organizations; only engagement at a strategic level can help both donors and organizations, to identify shared priorities and gain a better appreciation of both the mandate of the organization and of the reforms undertaken and improvements effected following legislative decisions.

The review found that a number of United Nations system organizations have been making concerted efforts in recent years to strengthen their dialogue with the main contributors and to improve their regulatory frameworks, rules and procedures, and processes and practices in order to enhance transparency and accountability and to improve efficiency and effectiveness.

The report reviews the various approaches, arrangements and practices in place regarding donor-led assessments in the United Nations system. It seeks to identify areas of common challenges and concerns. The report contains six formal recommendations, three addressed to the legislative organs/governing bodies, and three to the executive heads. It also includes 11 informal or “soft” recommendations in the form of suggestions to both the organizations and the donors.

Mr. Chairman, allow me to highlight some of the relevant observations, findings, and recommendations:

#### Proliferation and multiplicity of donor reviews

Systematic assessments of United Nations system organizations conducted by donors have increased steadily in recent years. The steady increase points to increased scrutiny of public funding of organizations and an increased demand for directing scarce resources towards the most effective

multilateral organizations. Decisions around funding, its allocation and evidence of an adequate return on invested funds have been driving an increase in the number and depth of such assessments.

A number of organizations have been assessed multiple times by the same donor Governments between 2011 and 2016, with a number of organizations being assessed on multiple occasions in a given year. There is risk of duplication and overlap concerning the various assessments of the same organization done by different donors, or a group of donors such as MOPAN.

Many organizations view donor-led reviews as a challenge entailing significant transaction costs, except where donor assessments are undertaken as desk reviews requiring limited interaction with the organization concerned.

Multiple assessments may result in seemingly different results for the organization reviewed. By their nature, bilateral assessments are anchored in the priorities of the entity conducting the assessment, so it is not unusual for different assessments by the same multilateral agency to prioritize different criteria, or for similar criteria to yield different results. Divergent scores for the same multilateral agency may send mixed signals to organizations and the wider community.

Donors should make every effort to rationalize the need for individual assessments, taking into account information available in the public domain, including other donors' assessments, MOPAN reviews and the organization's internal and external oversight reports and evaluations, in order to minimize the associated administrative costs to the United Nations system, and to avoid duplication. Such an approach will be in line with commitments made by donors in the context of MOPAN and transparency initiatives such as the International Aid Transparency Initiative (IATI), the Grand Bargain and the Good Humanitarian Donorship (GHD) initiative.

#### Alleviating the need for donor assessments through increased organizational transparency and accountability

Organizations have made good progress in recent years in enhancing transparency and accountability and in the way that they use resources. The adoption of the International Public Sector Accounting Standards (IPSAS), implementation of new enterprise resource management and planning systems, and improvements in performance and results reporting, as well as strengthening of the evaluation and audit functions, provide examples. Most organizations have made considerable efforts to increase their communication to donors by implementation of IATI, improved monitoring and reporting and making information available online through their websites, dashboards and web portals, in addition to the standard reporting to the governing bodies.

#### Lack of a central function for coordination of donor assessments

Most organizations acknowledge the need for effective coordination of the multiplicity of assessments from both the internal oversight functions as well as the outside donor entities. Such coordination would ensure effective support to donor assessments, reduce the risk of duplication and overlap, and foster and facilitate appropriate follow-up and organizational learning.

Organizations have allocated this coordination function to various designated offices that manage certain aspects of the support to donor-led reviews. These lead offices, or focal points, also keep track of donor-led assessments, assist in consolidating the information provided to donors and facilitate missions and interviews of donor representatives and/or consultants engaged by them for the reviews.

The report recommends the assigning of a central function for keeping track of the completed, ongoing and forthcoming donor reviews, as well as for acting as a clearing house for the provision of information to donors, in order to assure consistency, and to ensure that all information provided to donors has been appropriately cleared at the relevant level, and represents the official corporate view of the organization.

#### Consultative approach to conducting donor assessments and joint reviews

The United Nations system organizations should make proactive efforts to engage with donors throughout the review process, including on the assessment methodology, terms of reference, criteria and accommodating donor assurance requirements, to foster a consultative and participatory approach.

#### Robustness of the organizations' internal and external oversight and evaluation functions

Improved consultation and exchange of information on completed, ongoing and planned assessments would enable the organizations' audit/oversight offices to take risks and priorities expressed by donors into consideration in their risk assessments, as appropriate. A more proactive interface of oversight offices with a wide range of donors would increase the level of comfort for potential funding and help in identifying areas of common interest. It would also provide an opportunity for donors to identify areas for reviews or evaluations that they might undertake, with the understanding that adherence to the single audit principle and compliance with the applicable rules and audit charters would be assured.

#### Need for a strategic dialogue

A high-level dialogue would create a more collaborative relationship with donors and could lead to a better understanding on the part of donors of the organizations' mandates and the challenges they face, and to increased donor support in terms of funds, staff, advocacy for the mandate, etc. However, in developing the common position for collaboration, the United Nations should be mindful of the need to avoid this being perceived as a donor-driven process, as that might have an adverse impact on the organizations' ability to deliver on the Sustainable Development Goals and other elements of the agreed strategic frameworks and, ultimately, to safeguard and uphold the credibility of the organization among all its stakeholders, including donors and other Member States.

The executive heads of the United Nations system organizations and the Secretary-General, in the context of the United Nations System Chief Executives Board for Coordination, should develop a common position for initiating a high-level dialogue with donors to determine shared priorities and define a multi-stakeholder assessment platform with a robust framework and methodology to capture a collective reflection of an agency's performance and reduce the need for additional bilateral assessments.

#### Management response / CEB comments

Mr. Chairman, we were happy to learn that the CEB welcomes the report, as presenting a useful overview of the various approaches, arrangements and practices and identifies areas of common challenges and concerns with regard to this important oversight mechanism. While organizations appreciate the value and importance of the report, they also note several areas in which further analysis and improvement would provide benefits. Organizations suggest that the report of the Joint Inspection Unit should initiate a dialogue within organizations and, possibly, with governing bodies on the evolving role of evaluation and audit functions in the changing funding context.

Mr. Chairman, distinguished delegates, I thank you for your kind attention, and would welcome comments of delegations and questions you might have.