

## Agenda Item 135

### Activities of the Independent Audit Advisory Committee for the period 1 August 2017 to 31 July 2018

#### Report of the Independent Audit Advisory Committee (A/73/304)

#### Statement by Maria Gracia Pulido Tan Chair, Independent Audit Advisory Committee

10 October 2018

Madam Chair, distinguished delegates,

I have the honour to introduce the annual report of the Independent Audit Advisory Committee (the Committee), A/73/304, on its activities for the period 1 August 2017 to 31 July 2018. This report was prepared in accordance with the Committee's terms of reference as set out in the annex to the General Assembly resolution 61/275. This is the Committee's tenth annual report.

The report before you contains the detailed views, observations and recommendations of the Committee which, in the interest of time, I will not enumerate here. Nevertheless, there are some issues that I will highlight in this statement:

The first aspect of the Committee's mandate is to advise the Assembly on measures to ensure **compliance of management with audit and other oversight recommendations of United Nations oversight bodies.**

The quality of recommendations, the level of follow-up of the same, and the rate at which management implements oversight body recommendations are critical elements of an effective internal control system. The Committee continues to believe that if the weaknesses identified in the internal control systems and program performance are properly addressed by management, one should expect to see a more accountable, effective, and responsive organization.

The Committee looked at the implementation rates of the recommendations of the three oversight bodies and while there have been improvements with both the Board of Auditors and the Office of Internal Oversight Services (OIOS), the Committee notes that there has been

a downward trend with respect to the acceptance and implementation of recommendations of the Joint Inspection Unit (JIU). During this period, the Committee urged management to continue to improve, especially when it comes to timeliness of implementation.

Furthermore, the Committee looked at the implementation rate of investigation recommendations and is concerned that the percentage of implementation was only at 68 per cent for the first quarter of 2018. Given the significant impact of investigations on accountability versus impunity, the Committee recommends that management ensure that the recommendations of the Investigation Division (ID) are implemented fully in a timely manner.

Madam Chair, distinguished delegates,

Turning to the second aspect of the mandate of the Committee, **risk management and internal control framework**, the Committee believes that for enterprise risk management (ERM) to be an important management tool, it should not only be Headquartered-centric, but also properly expanded to all offices. The Committee also agrees with the sentiments of managers that the Organization needs a mature culture of prudent risk appetite.

The Committee also welcomes the Organization's adoption of the three lines of defence model as part of the integrated assurance process and would follow-up on this issue as a matter of priority.

Madam Chair, distinguished delegates,

As part of his management reform efforts, the Secretary-General noted that the United Nations must move to a culture that was focused more on results than on processes, better managed administrative and mandate delivery risks, valued innovation, and demonstrated a higher tolerance for honest mistakes and a greater readiness to take prompt corrective action. He noted that the Secretariat had conducted several assessments to better understand the current culture.

During the meeting of the United Nations system oversight committees, participants emphasized that audit committees could play an important role by ensuring that the institutional tone and culture feature in their discussions on oversight matters. Therefore, the Committee recommends that the Organization take advantage of the reform to undertake a holistic review of the culture of the Organization. The Committee believes that the Organization should systematically identify the positive culture that should define the Organization, and implement it both in word and action. The Committee also calls upon OIOS to come up with a clear methodology, taking into account best practices, for periodically assessing the culture of the Organization.

Madam Chair, distinguished delegates,

Allow me now to turn to the third aspect of the mandate of the Committee: **effectiveness, efficiency and impact of the audit activities and other functions of the Office of Internal Oversight Services**

The Committee focused on two broad areas: Strategic planning, OIOS effectiveness and performance measurement; and strengthening the investigation function. I will touch on a few key findings in each area.

#### Strategic planning, OIOS effectiveness and performance measurement

The Committee believes that for OIOS to establish itself as a trusted advisor, it needs to understand and appreciate the concerns of its clients. In discussions with managers, they were of the view that they wanted to see more performance audits. However, OIOS believes that most of its assignments are already performance audits. There seems to be a divergence of expectations between some managers and OIOS on what constitutes a performance audit. The Committee believes that arriving at a mutual understanding on performance audits and striking a balance between compliance and performance audits would be consistent with the JIU's findings that stakeholders deem performance and compliance audits to be the most important types of audit services.

Furthermore, the Committee recommends that to shift the focus of its work, OIOS should clearly identify the steps it plans to take to improve its capability to conduct performance

audits. Such steps should include identifying its plans for future performance audits, the applicable audit standards and what training its staff would need to improve their capability to conduct such audits, as well as a communication plan to effectively inform its clients of the shift.

Madam Chair, distinguished delegates,

Strengthening the investigation function

Turning now to **strengthening the investigation function**, I will elaborate on two issues, the vacant posts in the Investigation Division and the investigation of cases of retaliation.

Regarding vacant posts, the Committee has consistently expressed concern about the high number of vacancies in OIOS. According to OIOS, the overall vacancy rate continues to show a downward trend, from 13.4 per cent in October 2017 to 10.5 per cent as at 30 June 2018. For ID, the vacancy rate decreased from 21.2 per cent to 11.5 per cent.

The Committee commends OIOS in general and ID in particular, for succeeding in reducing the vacancy rate, which initially appeared to be a daunting task. The Committee notes that the challenge now is to sustain that progress, and the Committee will continue to monitor this issue.

Turning to the investigation of cases of retaliation, the Committee was informed by the Ethics Office of the long time it takes OIOS to complete such cases. The Committee believes that the investigation of retaliation cases should be a priority given the high risk such cases present and recommends that OIOS work to reduce the length of time it takes to investigate them.

Madam Chair, distinguished delegates,

Moving to the fourth aspect of the Committee's mandate, concerning **financial reporting**, the Committee looked at the enterprise resource planning (Umoja), and the internal control system and anti-fraud policy.

With regards to **enterprise resource planning (Umoja)**, the Committee welcomes the progress made in implementing Umoja, including the commitment to capture the Organization's cycle from strategic planning to reporting. Given the financial resources, effort and time that has been invested in developing and implementing Umoja, the Committee believes that capturing the full cycle would lead to the maximum exploitation of the potential that Umoja offers.

Furthermore, the Committee believes that, like any other enterprise resource planning system, the Umoja governance, risk and compliance module could provide OIOS with an opportunity for continuous auditing through an embedded audit module, a common feature of governance, risk and compliance. While appreciating the challenges brought about by the reforms, the Committee still believes that an audit module is a critical enabler of a strong accountability system and should be considered high priority in the implementation of Umoja.

With respect to **internal control system** the Committee reiterates its position that the statement of internal control is an important accountability tool through which an organization provides assurances that it was appropriately managing and controlling the resources under its responsibility. The Committee commends the progress made so far and will continue to monitor and report back on the situation in its future reports.

Regarding **fraud**, the Committee was informed by management that during the Secretariat's comprehensive anti-fraud and anti-corruption assessment, 16 risks had been identified, of which, six had been classified as critical, and requiring immediate assistance. The Committee will continue to follow up on the steps taken by the Organization to develop and implement detailed risk mitigation plans for the most critical areas of fraud risk.

Madam Chair, distinguished delegates,

On behalf of the members of the IAAC, I thank you for the opportunity to present the IAAC's annual report and I look forward to answering any follow up questions you may have during the deliberations.

Thank you.