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**Administrative and budgetary aspects of the financing
of the United Nations peacekeeping operations**

**Budget of the Office of Internal Oversight Services under
the support account for peacekeeping operations for the
period from 1 July 2012 to 30 June 2013**

Report of the Independent Audit Advisory Committee

Summary

The present report contains the comments, advice and recommendations of the Independent Audit Advisory Committee on the budget of the Office of Internal Oversight Services under the support account for peacekeeping operations for the period from 1 July 2012 to 30 June 2013.

I. Introduction

1. The Independent Audit Advisory Committee presents herein its comments, advice and recommendations to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions, on the budget of the Office of Internal Oversight Services (OIOS) under the support account for peacekeeping operations for the period from 1 July 2012 to 30 June 2013. The report is submitted in accordance with paragraphs 2 (c) and (d) of the Committee's terms of reference (General Assembly resolution 61/275, annex).

2. The Committee has a responsibility to examine the workplan of OIOS, taking into account the workplans of the other oversight bodies, with the Under-Secretary-General for Internal Oversight Services and to advise the General Assembly thereon, to review the budget proposal of the Office, taking into account its workplan, and to make recommendations to the Assembly through the Advisory Committee on Administrative and Budgetary Questions. The Committee undertook its review of the OIOS work-planning process and the budget for OIOS under the support account for peacekeeping operations for the period 1 July 2012 to 30 June 2013 during its sixteenth and seventeenth sessions, held from 12 to 14 December 2011 and from 13 to 15 February 2012, respectively.

3. The Committee appreciates the efforts of the Office of Programme Planning, Budget and Accounts and OIOS in providing it with the relevant documents for its consideration. OIOS also provided supplementary information in response to various questions from the Committee.

II. Background

4. The proposed budget of OIOS under the support account for peacekeeping operations for the period from 1 July 2012 to 30 June 2013 is estimated at \$25,474,400 (gross), which represents a reduction of \$1,892,200 (gross), or 7 per cent, over the prior year's approved budget of \$27,366,600 (gross). The decrease, which is mostly attributed to post resources, comes despite the fact that the number of posts has remained constant. The post-related costs decreased by 6.8 per cent, from \$16,065,000 to \$14,979,000, owing to the application of a higher vacancy rate. The non-post costs decreased by 7.1 per cent, from \$11,301,600 to \$10,495,400. The non-post decreases are primarily associated with general temporary assistance, with a reduction of \$641,000 (7.6 per cent), and travel-related costs, with a reduction of \$229,000 (14.3 per cent).

5. The proposed financial resources for OIOS for 2012/13 as compared with 2011/12 are provided in table 1.

Table 1
Financial resources
 (Thousands of United States dollars)

	Approved 2011/12	Proposed 2012/13	Variance	
			United States dollars	Percentage
Internal Audit Division	16 216.20	14 592.60	(1 623.60)	(10)
Inspection and Evaluation Division	989.80	1 023.90	34.10	3
Investigations Division	9 529.40	9 150.90	(378.50)	(4)
Executive Office	631.20	707.00	75.80	12
Total	27 366.60	25 474.40	(1 892.20)	(7)

Source: Office of Programme Planning, Budget and Accounts, Peacekeeping Financing Division.

6. The Committee recognizes that the consideration of the OIOS budget proposals with regard to the specific grade level of OIOS posts and requests for non-post resources is more appropriately within the remit of the Advisory Committee on Administrative and Budgetary Questions. The review, comments and advice of the Independent Audit Advisory Committee will therefore focus on the scope of its own terms of reference with respect to the work-planning and budgeting process of OIOS. In accordance with its terms of reference, the Committee will submit the present report to the General Assembly through the Advisory Committee. Arrangements will be made to interact with the Advisory Committee to discuss the contents of the report.

III. Comments of the Independent Audit Advisory Committee

A. Internal Audit Division

7. In the reports issued since its inception, the Committee has made a number of recommendations relating to the Internal Audit Division's work-planning and budgeting process. The recommendations have included the following:

(a) OIOS risk assessments for the purposes of work planning and budgeting should take into consideration the controls that management has put in place to mitigate risks in order not to overestimate the number of high-risk areas;

(b) The work-planning process should include consultation with management before and after the preparation of the OIOS workplan;

(c) OIOS should coordinate its workplans with the Board of Auditors and the Joint Inspection Unit before finalizing them to avoid duplication and to minimize the impact on management and staff in the Organization;

(d) OIOS should move from preparing its budget on an incremental basis to using its risk assessment framework to determine the level of resources that will be required to address the risks identified in the Organization;

(e) The Internal Audit Division should undertake a thorough review of its planning assumptions and estimates and recalculate its requirements, addressing the issues identified by the Committee, before making proposals for additional posts in existing locations;

(f) OIOS and management should coordinate the risk categorization process so as to align the OIOS risk-based audit-planning process with the approved enterprise risk management framework.

8. The Internal Audit Division is the largest of the three divisions of OIOS and represents close to 57 per cent of the OIOS budget under the support account. A substantial portion of the Committee's deliberations and discussions therefore continues to be devoted to the Division's workplan and budget.

9. OIOS continues to demonstrate progress in the implementation of the recommendations made by the Committee. For example, the most significant change in the audit work-planning process for 2012/13 appears to be the Division's in-depth review of its risk-based approach to planning assumptions and estimates of requirements. OIOS has also continued to implement the Committee's other recommendations.

10. Also in accordance with the Committee's recommendation, OIOS informed the Committee that it continued to use a risk-based workplan in the allocation of its budgetary resources. The Committee was informed that the OIOS annual work planning was based on the risk-ranked audit universe of auditable entities and the United Nations key standard processes, which was done after analysis of the key controls that management had put in place in order to arrive at the residual risk.

11. In its report on its activities for the period from 1 August 2009 to 31 July 2010 (A/65/329), the Committee noted that OIOS could add value to its oversight work by conducting more audits of cross-cutting and systemic issues. The Committee therefore recommended that in preparing its workplan, OIOS place greater emphasis on audits of cross-cutting issues (horizontal audits) in order to identify prevalent systemic issues that need to be addressed by management as a priority. The Committee was informed that OIOS planned to conduct 10 horizontal audits on the basis of a risk-ranked audit universe.

12. In this regard, OIOS informed the Committee that on the basis of the risk assessment and the need to conduct horizontal audits, OIOS deemed it necessary to redeploy nine posts to the United Nations Mission in South Sudan (UNMISS), five posts to the Regional Service Centre at Entebbe, Uganda, and one post to the United Nations Operation in Côte d'Ivoire (UNOCI).

13. The Committee was also informed that in preparing the present budget, the Division continued to seek written input from management on areas of concern or high risk and suggestions for audit coverage. OIOS reported to the Committee that in selecting assignments for 2012/13 and beyond, the Division gave priority to:

- (a) Key standard processes typically found at the United Nations;
- (b) Risk definition aligned with enterprise risk management;
- (c) Selection of key controls for each definition;

(d) Assessment of inherent risk and key controls based on, inter alia, desk reviews and previous oversight results, so as to arrive at the residual risk.

14. The Committee was informed that OIOS had discussed the draft audit workplan with each programme manager and that each manager would be provided with the final version. The Committee was informed that the Division planned to undertake 112 audit assignments related to peacekeeping in the budget period (including 44 carried over from the previous period), compared with 151 during the previous period. OIOS has indicated that it will continue to consult with management during the period and, if required, will revise the workplan on the basis of emerging risks and priorities.

15. With respect to the planning assumptions and estimates for the determination of available days per auditor, the Committee noted that OIOS continued to improve from implementing one of the Committee's prior recommendations. The OIOS audit workplan listed the planned assignments in order of priority and included an estimate of the days that would be required to complete each audit. OIOS also calculated the number of days available per year by category of staff (see table 2).

Table 2
Number of staff-days available annually (out of 260 workdays)

<i>Category</i>	<i>Established duty stations</i>	<i>Peacekeeping missions</i>
P-5 with more than five staff	130	100
P-5 with five or fewer staff	140	120
Other Professionals and audit assistants	190	150

16. In summary, at each peacekeeping mission, auditors at the P-3 and P-4 levels and audit assistants are allocated to audits on the basis of 150 days per year; auditors at the P-5 level with audit teams comprising fewer than five staff are allocated at 120 days per year; and auditors at the P-5 level in missions where the audit team comprises more than five staff are allocated at 100 days per year.

17. The variance between the estimate by OIOS of the number of days required to undertake the planned audits and the total days available is presented by OIOS as the gap in capacity. On that basis, the Division has sufficient capacity to execute the proposed workplan, subject to the redeployments set out in table 3. **As OIOS continues to move towards a robust risk-based approach to its workplan, the Committee recommends that OIOS conduct more capacity gap analyses of the work of OIOS as a whole.**

Table 3
Post redeployments requested by the Office of Internal Oversight Services in the current budget

<i>Location</i>	<i>Total</i>	<i>Grade</i>			
		<i>P-5</i>	<i>P-4</i>	<i>P-3</i>	<i>Field Service</i>
UNMIS	(11)	(1)	(4)	(3)	(3)
UNMISS	9	1	3	3	2
UNAMID	(2)	—	(2)	—	—
UNMIL	(1)	—	(1)	—	—

Location	Total	Grade			Field Service
		P-5	P-4	P-3	
UNOCI	1	—	1	—	—
MONUSCO	(1)	—	(1)	—	—
Regional Service Centre at Entebbe	5	—	4	—	1
Total	—	—	—	—	—

Abbreviations: UNMIS, United Nations Mission in the Sudan; UNAMID, African Union-United Nations Hybrid Operation in Darfur; UNMIL, United Nations Mission in Liberia; MONUSCO, United Nations Organization Stabilization Mission in the Democratic Republic of the Congo.

18. **Acknowledging the fact that OIOS has taken into account most of the Committee's recommendations on the planning process for the preparation of its annual work programme contained in its previous reports, the Committee sees value in recommending the budget proposal for the Internal Audit Division as proposed, which includes the redeployments set out in table 3 above.**

B. Inspection and Evaluation Division

19. The Inspection and Evaluation Division of OIOS presented its workplan for 2012/13 relating to peacekeeping operations to the Committee. During the discussion of its workplan for 2011/12, the Division indicated that it would carry out a meta-evaluation of peacekeeping activities, using information from available peacekeeping evaluations by OIOS and other actors, so as to generate systemic lessons for improving peacekeeping operations and identify critical topics for future evaluation. The Committee was concerned that the meta-evaluation had not taken place during the previous fiscal year but had been pushed to the current year. The Committee is of the view that the implementation of the workplan is as important as the plan itself. **The Committee therefore recommends that OIOS ensure that the implementation of the workplan is considered a high priority, since resources are allocated on the basis of the expectation that workplans will be fully implemented.**

20. The Committee welcomed the effort that the Division was putting into various reform initiatives, including a refined method of risk assessment in the various peacekeeping missions as a basis for prioritization of the available resources and the use of proxy indicators. In this respect, the Committee was informed that the current workplan covered all the high-risk missions.

21. The Committee reiterates its advice provided in respect of the prior budget of the Division that the in-depth nature of evaluations conducted by OIOS adds value to the Organization's peacekeeping programme and is confident that the redeployment of an additional post at a senior level that was approved in the previous year will go a long way in this regard.

22. The Division also informed the Committee that with the current limited resources, it was unable to undertake a number of critical evaluation activities, such as providing assistance to new missions at the start-up phase and conducting more thematic evaluations of cross-cutting systemic issues affecting peacekeeping

missions. In the absence of a more compelling case and pending the completion of the independent review of the Division that is currently under way, the Committee believes that these vital functions could still be performed through prioritization. **Nevertheless, in the light of the capacity gap analysis referred to in paragraph 17, the Committee recommends that OIOS provide in the next workplan a case for such critical activities that have yet to be undertaken owing to resource constraints.**

23. The Committee also recommends that in the light of the workplan proposed by the Division and pending the completion of its review, the current staffing of the Division be maintained for the 2012/13 budget period.

C. Investigations Division

24. The Committee notes the decision of the General Assembly in its resolution 63/287 to designate, as a pilot project, centres of investigation in Nairobi, Vienna and New York from 1 July 2009 to 30 June 2012 and its request that the Secretary-General and the Board of Auditors report on various aspects of the implementation of the project. The Committee noted the report of the Board of Auditors (A/65/5 (Vol. II)), in which some issues were identified, including the absence of adequate management information to guide decision-making and of a baseline and criteria for evaluation of the project; the high vacancy rates in the missions; and the need for a full cost-benefit analysis as the basis for recommending any course of action.

25. In its preliminary report on the implementation of the pilot project (A/65/765), OIOS noted the inefficient distribution of resources as one of the problems facing the project. Although it was still recording and analysing the information gathered, OIOS found advantages in locating investigators in the field missions as a means of facilitating the reporting of wrongdoing. In addition, the Committee was informed that the Investigations Division was undergoing an independent panel review that was expected to be completed during the middle of the year.

26. In its report on its activities for the period from 1 August 2010 to 31 July 2011 (A/66/299), the Committee expressed its concern that the high vacancy rate in the Division, especially in the investigation hubs, could affect the result of the project and requested OIOS to take into account such effects when assessing the relative utility of endorsing one of the options.

27. With regard to the current operations of the Investigations Division, the Committee noted that as at 31 January 2012, the Division's vacancy rate for posts, including general temporary assistance, funded from the support account had improved from a high of 44 per cent as at 31 October 2009 (A/64/652, para. 34), to 24.6 per cent.

28. In its previous submissions for the support account budget, the Investigations Division requested an additional General Service position to assist with the preparation of investigation reports at Headquarters as part of the Division's Professional Practices Section. On the basis of additional information presented by the Division, the Committee subsequently recommended that the Advisory Committee on Administrative and Budgetary Questions give consideration to the request of OIOS.

29. In view of paragraphs 37 and 38 of General Assembly resolution 63/287 regarding the restructuring of the Investigations Division, the pending finalization of the report on the pilot project, the status of vacancies in the Division and the pending outcome of the independent review, the Committee continues to support the request to establish a general temporary assistance position at the General Service level in the Investigations Division in the current budget.

IV. Conclusion

30. The members of the Independent Audit Advisory Committee respectfully present the present report containing its comments and recommendations for consideration by the Advisory Committee on Administrative and Budgetary Questions and the General Assembly.

(Signed) John F. S. **Muwanga**
Chair, Independent Audit Advisory Committee

(Signed) Adrian P. **Strachan**
Vice-Chair, Independent Audit Advisory Committee

(Signed) Vadim V. **Dubinkin**
Member, Independent Audit Advisory Committee

(Signed) J. Christopher **Mihm**
Member, Independent Audit Advisory Committee

(Signed) Vinod **Rai**
Member, Independent Audit Advisory Committee
