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UNITED NATIONS
ORGANIZATIONS

Oversight and
Accountability Could
Be Strengthened by
Further Instituting
International Best
Practices



G A O

Accountability * Integrity * Reliability

Highlights of [GAO-07-597](#), a report to congressional committees

UNITED NATIONS ORGANIZATIONS

Oversight and Accountability Could Be Strengthened by Further Instituting International Best Practices

Why GAO Did This Study

Since 2005, the United Nations (UN) has been attempting to reform its management processes, in part to help ensure that resources are used effectively and efficiently. Some of these reforms focus on improving oversight and accountability at the United Nations. In this report, GAO examines the extent to which selected UN organizations' (1) internal audit offices have implemented professional standards for performing audits and investigations, (2) evaluation offices have implemented UN evaluation standards, and (3) governing bodies are provided with information about the results of UN oversight practices. GAO obtained and analyzed international standards and relevant documents from six of the largest UN organizations, and also met with U.S. and UN officials.

What GAO Recommends

GAO recommends that the Secretary of State direct the U.S. Missions to work with member states to improve oversight in UN organizations by (1) making audit reports available to the governing bodies and (2) establishing independent audit committees that are accountable to their governing bodies. GAO received written comments from State, FAO, UNDP, WFP, and WHO indicating that they generally agreed with GAO's recommendations. However, ILO and UNICEF expressed concerns about implementing GAO's recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-07-597.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Thomas Melito at (202) 512-9601 or melitot@gao.gov.

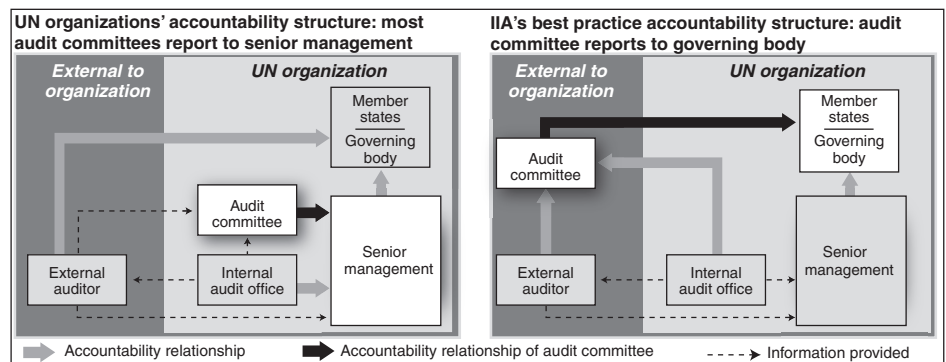
What GAO Found

Although the six UN internal audit offices that GAO reviewed have made progress in implementing international auditing standards, they have not fully implemented key components of the standards. The organizations lack completed organizationwide risk-management frameworks, which are essential in identifying the areas with the greatest vulnerability to fraud, waste, and abuse. In addition, three audit offices lack sufficient staff to cover high-risk areas of the organization. Furthermore, some of the audit offices have not fully implemented quality assurance processes, which include activities such as external peer reviews. Some of the organizations also do not have professional investigators to probe allegations of wrongdoing.

While the six UN evaluation offices that GAO reviewed are working toward implementation of UN evaluation standards, they have not fully implemented them. Most of the evaluation offices lack sufficient resources and appropriate expertise to manage and conduct evaluations, especially at the country level. This has impacted their ability to conduct high-quality and strategically important evaluations. In addition, most of the evaluation offices have not fully implemented quality assurance processes relating to areas such as evaluation methodology, scope, evidence, and findings. Furthermore, all of the evaluation offices are working toward fully establishing mechanisms that systematically follow up and report on the status of their recommendations.

The governing bodies responsible for oversight of the six UN organizations that GAO reviewed lack full access to internal audit reports and most lack direct information from the audit offices about the sufficiency of their resources and capacity to conduct their work, which could provide greater insights into the organizations' operations and identify critical systemic weaknesses. In addition, with one exception, the organizations' audit committees that GAO examined are generally not accountable to their governing bodies, and some are composed of senior management officials.

Differences in UN Organizations' and IIA's Best Practices Accountability Structures



Source: GAO analysis of UN data and Institute of Internal Auditors' guidance.

Contents

Letter

Results in Brief	1
Background	4
UN Internal Audit Offices Have Not Fully Implemented Key Components of International Auditing Standards	7
UN Evaluation Offices Have Not Fully Implemented UN Evaluation Standards	14
Governing Bodies Lack Full Access to Information That Could Provide Greater Insights into UN Organizations' Operations and Identify Critical Systemic Weaknesses	29
Conclusions	39
Recommendations for Executive Action	50
Agency Comments and Our Evaluation	50
	51

Appendixes

Appendix I: Scope and Methodology	55
Appendix II: Comments from the Department of State	60
Appendix III: Comments from the Food and Agriculture Organization	64
Appendix IV: Comments from the World Food Program	67
GAO Comment	69
Appendix V: Comments from the World Health Organization	70
GAO Comments	72
Appendix VI: Comments from the International Labor Organization	73
GAO Comments	76
Appendix VII: Comments from the United Nations Development Program	78
Appendix VIII: Comments from the United Nations Children's Fund	79
GAO Comments	81
Appendix IX: GAO Contact and Staff Acknowledgments	83

Related GAO Products

84

Figures

Figure 1: Governance Structure of Selected UN Funds and Programs and Specialized Agencies	10
Figure 2: Internal and External Oversight Structure of Selected UN Funds and Programs and Specialized Agencies	12

Figure 3: Selected UN Funds' and Programs' and Specialized Agencies' Progress toward Implementing International Auditing Standards	15
Figure 4: Selected UN Funds' and Programs' and Specialized Agencies' Progress toward Ensuring Sufficient Resources to Perform Investigations	25
Figure 5: Selected UN Funds' and Programs' and Specialized Agencies' Progress toward Implementing Financial Disclosure and Whistleblower Protection Policies	28
Figure 6: Selected UN Funds' and Programs' and Specialized Agencies' Progress toward Implementing UNEG Standards and Norms	30
Figure 7: Audit Committee Purpose, Membership, and Responsibilities According to Best Practices	44
Figure 8: Differences between Current Practice for Most of the UN Organizations and IIA's Best Practice Accountability Structure for Audit Committees	46
Figure 9: Audit Committees at the Six UN Organizations That We Examined	48

Abbreviations

ALNAP	Active Learning Network for Accountability and Performance in Humanitarian Action
BOA	Board of Auditors
FAO	Food and Agriculture Organization
IIA	Institute of Internal Auditors
ILO	International Labor Organization
IT	information technology
JIU	Joint Inspection Unit
OECD/DAC	Organization for Economic Cooperation and Development/ Development Assistance Committee
OIOS	Office of Internal Oversight Services
PBAC	Program, Budget and Administration Committee
UN	United Nations
UNDP	United Nations Development Program
UNEG	United Nations Evaluation Group
UNICEF	United Nations Children's Fund
WFP	World Food Program
WHO	World Health Organization

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United States Government Accountability Office
Washington, D.C. 20548

June 18, 2007

The Honorable Norm Coleman
Ranking Member
Permanent Subcommittee on Investigations
Committee on Homeland Security
and Governmental Affairs
United States Senate

The Honorable Ileana Ros-Lehtinen
Ranking Member
Committee on Foreign Affairs
House of Representatives

Member states contribute billions of dollars annually to the United Nations (UN) system¹ for programs that meet emergency humanitarian needs, provide development assistance, and support economic and social development in over 190 countries. To direct these programs, member states have created governing bodies in each UN organization to develop governance practices for maintaining the strategic direction of the organization, overseeing the effective and efficient use of resources, and monitoring the actions of management and operations. The UN system generally has both internal and external accountability and oversight mechanisms. *Internal* oversight functions include reviewing the effectiveness and efficiency of the organizations' operations, evaluating the organizations' compliance with UN financial rules and regulations, conducting investigations on allegations of misconduct, and reporting to the executive heads of the organizations. *External* oversight functions generally report to the organizations' governing bodies on the organizations' finances and also may perform nonfinancial reviews of the efficiency and effectiveness of the organizations' operations.

¹The UN system is composed of the main Secretariat and separately administered funds and programs and specialized agencies. For example, funds and programs include the United Nations Children's Fund and the United Nations Development Program, which have executive boards and executive heads but are under the authority of the UN Secretary-General. In contrast, specialized agencies, such as the Food and Agriculture Organization, have their own governing bodies and executive heads and are not under the authority of the Secretary-General. The agencies, which are legally independent international organizations with their own rules, membership, organs, and financial resources, were brought into relationship with the United Nations through negotiated agreements.

As the largest financial contributor to the United Nations, the United States has advocated comprehensive management reform of the UN system, including measures to strengthen governance and improve oversight. Also, over the past 2 years, member states and independent experts have proposed management reforms that call for sustained action to strengthen accountability and transparency in the UN system by improving UN oversight practices. As such, several management reforms and proposals have focused on improving the effectiveness and increasing the capacity and independence of the oversight function at the United Nations.

In 2005, representatives of UN member states identified an urgent need to improve UN management processes and requested that the UN Secretariat's Secretary-General and General Assembly propose and approve reforms for strengthening the organization in several areas, including accountability and oversight. For example, at the 2005 World Summit, the General Assembly requested a comprehensive independent review of the Secretariat's Office of Internal Oversight Services (OIOS) with a view toward strengthening that office, as well as a systemwide review of UN governance and oversight.² While these reforms have focused primarily on the Secretariat, they serve as a model for UN systemwide reforms to help ensure that resources are used effectively and efficiently. However, in 2006, we reported to Congress that progress toward implementation of reforms, including those relating to strengthening oversight, has been slow.³

In this report, we examine the extent to which (1) internal audit offices have implemented professional standards for performing audits and investigations, (2) evaluation offices have implemented UN evaluation standards, and (3) governing bodies are provided with information about the results of UN oversight practices. The scope of our work includes the internal audit and evaluation offices at the three largest UN funds and programs—the United Nations Development Program (UNDP), the United

²We reported in 2006 that UN funding arrangements constrain OIOS's ability to operate independently and recommended that reliable funding arrangements that do not undermine the independence of the office be made. See GAO, *United Nations: Funding Arrangements Impede Independence of Internal Auditors*, [GAO-06-575](#) (Washington, D.C.: Apr. 25, 2006).

³GAO, *United Nations: Management Reforms Progressing Slowly with Many Awaiting General Assembly Review*, [GAO-07-14](#) (Washington, D.C.: Oct. 5, 2006).

Nations Children’s Fund (UNICEF), and the World Food Program (WFP);⁴ and three of the largest UN specialized agencies—the Food and Agriculture Organization (FAO), the International Labor Organization (ILO), and the World Health Organization (WHO). In most of the organizations that we studied, the investigations function was part of the internal audit office.

To complete this study, we analyzed UN documents and processes and practices relating to the audit, investigation, and evaluation functions of the six UN organizations we examined. We reviewed professional standards, guidelines, and best practices for performing audits, investigations, and evaluations, including the Institute of Internal Auditors’ (IIA) International Standards for the Professional Practice of Internal Auditing,⁵ the UN Uniform Guidelines for Investigations, and the UN Evaluation Group (UNEG) standards and norms.⁶ The six UN organizations we examined have adopted these standards, norms, and guidelines. For the purposes of our study, we selected key audit standards to examine the extent to which these organizations have implemented IIA standards. To examine the extent to which the organizations have implemented UNEG standards and norms, we selected those standards and norms to match the key audit standards to the extent possible. We also compared current governance structures at the six organizations with IIA guidance on the use of audit committees. We interviewed UN officials and staff with governance and oversight responsibilities and members of the internal audit committees and the external auditors for each organization. Finally, we interviewed officials from the U.S. Departments of State (State), Labor, and Health and Human Services; the U.S. Agency for International Development; and 32 UN member state representatives. Appendix I contains more details on our scope and methodology. We conducted our work in Washington, D.C.; New York; Geneva; and Rome. We performed our work between June 2006

⁴WFP is a subsidiary of both the United Nations and the Food and Agriculture Organization.

⁵IIA is recognized as the internal audit profession’s leader in certification, education, research, and technological guidance. IIA provides comprehensive guidance for internal auditing through its Professional Practice Framework, including the *International Standards for the Professional Practice of Internal Auditing*, which outlines the tenets of the internal audit profession and the *Role of Auditing in Public Sector Governance* that defines key elements needed to maximize public sector audit activity.

⁶UNEG is a group of professional practioners. UNEG adopted standards and norms in 2005 to professionalize the evaluation function, provide guidance to evaluation offices in preparing their evaluation policies or other aspects of their operations, as well as to guide the establishment of the institutional framework, management of the evaluation function, and the conduct and use of evaluations.

and March 2007 in accordance with generally accepted government auditing standards.

Results in Brief

Although the six UN internal audit offices that we reviewed have made progress in implementing international auditing standards, they have not fully implemented key components of the standards, such as basing annual work plans on organizationwide risk-management frameworks and obtaining the necessary resources to conduct their work. All of the audit offices are at various stages of developing and implementing their own risk-based work plans, but the offices are doing so without the benefit of completed organizationwide risk-management frameworks, which are essential in identifying the areas with the greatest vulnerability to fraud, waste, and abuse. In addition, three of the six UN audit offices lack sufficient staff to cover high-risk areas of the organizations. Furthermore, three of the audit offices have not fully implemented quality assurance processes, which include activities such as internal and external peer reviews. For example, ILO has not had an external peer review, but it plans to have one this year for the first time. All audit offices have a tracking and follow-up system for recommendations to ensure that senior management is addressing deficiencies identified by internal and external auditors, and some offices have undertaken efforts to strengthen their follow-up processes. In addition, three of the organizations currently do not have professional investigators and rely heavily on auditors to probe allegations of wrongdoing, which is a practice that could impact the organizations' ability to provide adequate audit coverage and ensure that investigations are properly carried out. While most of the organizations are in various stages of considering and implementing ethics policies, none have adopted financial disclosure requirements for their oversight staff to monitor potential conflicts of interest.

Although the six UN evaluation offices that we reviewed are working toward implementation of UN evaluation standards and norms, such as resource adequacy and quality assurance processes, they have not fully implemented them. Five of the evaluation offices reported that they lack sufficient resources and staff with expertise to manage and conduct evaluations—conditions that have impacted their ability to conduct high-quality and strategically important evaluations. For example, UNICEF reported that about two-thirds of its country offices do not have sufficient staff with the requisite skills to consistently deliver high-quality evaluations. In addition, five of the evaluation offices have not fully implemented quality assurance processes relating to evaluation staff

selection, design, and reporting. Specifically, they have identified weaknesses in areas such as evaluation methodology, scope, evidence, and findings. Furthermore, all of the evaluation offices are working toward fully establishing mechanisms that systematically follow up and report on the status of their recommendations, to provide assurance to senior management that steps are being taken to address identified weaknesses in their programs.

The governing bodies responsible for oversight and accountability of the resources of the six UN organizations that we reviewed lack full access to internal audit reports and most lack direct information from the internal audit offices about the sufficiency of their resources and capacity to conduct their work, which could provide greater insights into the organizations' operations and identify critical systemic weaknesses. In addition, although most of the organizations have audit committees that review internal audit activities and report to the heads of the organizations, only WHO has an audit committee that is autonomous of senior management and is part of the governing body. To carry out some of their oversight responsibilities, UN governing bodies are provided with the external auditor's report on the organization's financial statements as well as the internal audit office's summary of internal audit activities. However, the governing bodies do not have full access to internal audit reports—including those that identify systemic weaknesses in internal controls and cases of fraud, waste, and mismanagement—and the management response letter to audit reports, which includes senior management's plans for taking correction action. Also, most of the governing bodies lack direct information from the internal audit offices on the sufficiency of the audit offices' staffing and financial resources as well as the audit offices' capacity for conducting effective oversight. International best practices suggest that oversight could be strengthened by establishing an independent audit committee—composed of members external to the management of the organization and reporting to the governing body on the effectiveness of the audit office and on the adequacy of its resources—as part of the governance structure of each of the United Nations' governing bodies. However, the audit committees at four of the six UN organizations that we examined are not in line with these international best practices, and one entity does not have an audit committee. Four of the five audit committees are not accountable to their governing bodies, and three of these committees are composed of senior management officials. An audit committee that is composed of external members and accountable to its governing body also could assist it with its responsibility to monitor the organization's oversight function. In the absence of such an audit

committee, many of the member state representatives to the governing bodies told us that they find such monitoring difficult because they lack sufficient resources and expertise.

We make recommendations in this report to the Secretary of State to direct the U.S. Missions to work with member states to improve oversight and accountability in UN organizations by (1) making audit reports available to the governing bodies that will provide further insight into the operations of the United Nations' organizations and identify critical systemic weaknesses and (2) establishing independent audit committees that are accountable to their governing bodies, where this does not now occur.

We requested and received comments on a draft of this report from the Secretary of State and cognizant officials representing the six UN-affiliated agencies that we reviewed—FAO, ILO, UNDP, UNICEF, WFP, and WHO. These comments are reprinted in appendixes II through VIII, along with our responses to specific points. State endorsed the main findings and conclusions of the draft report and stated that the United States has established partnerships with several other like-minded member states, and will continue to work with them to build a constituency for strengthening oversight and accountability in the UN system. FAO stated that our report observations are clear, comprehensive, and well-reasoned and that its governing body has begun taking steps that align with implementing our recommendations. UNDP stated that it is reviewing the issues related to the recommendations, and that a number of these issues will be part of the interaction with the Executive Board during June 2007. WFP noted that the substance of our recommendations is currently being debated in many forums throughout the UN system, and that its Executive Board and its bureau have been engaged in considering issues related to the composition and reporting lines of the audit committee. WHO commented that it is engaged with other organizations in the UN system in addressing the issue of access to internal audit reports and noted that its Program, Budget and Administration Committee already fulfills most of the requirements that we advocate, such as independence from senior management and accountability to the governing body. ILO commented that it has serious reservations about implementing our recommendation to make internal audit reports available to governing bodies. We maintain that providing the governing body access to all internal audit reports will provide the governing body greater insight into the organization's operations and highlight systemic weaknesses in internal controls. UNICEF noted that any proposal to reorder the governance mechanisms so as to align them with a particular understanding of the IIA standards would

be a matter for UNICEF's Executive Board (among other institutions). We recognize that decisions regarding changes in UNICEF's lines of reporting to allow UNICEF's governing body access to all audit reports, as well as the creation of an independent audit committee to be in line with international best practices, will require the consideration and approval of UNICEF's Executive Board. We also maintain that the United States, as a member of UNICEF's governing body, should work with other member states to consider implementation of these recommendations.

Background

According to the United Nations, effective oversight services are a high priority and a crucial component in the Secretary-General's efforts to strengthen the organization in the 21st century. Effective oversight practices are integral to establishing good governance and help to provide assurance to governing bodies and senior management that resources contributed to the organization are not vulnerable to waste, fraud, and abuse.

Generally, governance is the system by which organizations are directed, controlled, and held to account to provide reasonable assurance that objectives are met and that operations are carried out in an ethical and accountable manner. Good governance requires a clear division of responsibilities between the governing body and senior management. In addition, good governance includes clearly articulated ethical values, objectives, and strategies; proper tone at the top; and internal controls. An absence of good governance structures and a lack of adherence to basic governance principles increases the risk of public corruption. The governing bodies in each UN organization are responsible for developing governance practices for maintaining the strategic direction of the organization, and monitoring the actions of management and operations.

Oversight is a key activity in governance that addresses whether organizations are carrying out their responsibilities and serves to detect and deter public corruption. Oversight functions include monitoring, evaluating, and reporting on the organization's performance and holding senior management accountable for results. These functions also encompass the auditing, internal and external, of the organization's financial results and the effectiveness of its internal controls. In addition, oversight also includes investigation of allegations of fraud. The UN system, including its affiliated funds and programs and specialized agencies, generally has both internal and external accountability and oversight mechanisms.

The principal bodies responsible for conducting oversight in the UN funds and programs and specialized agencies in our study include member states in their capacity as members of the governing bodies; governing body committees; internal auditors; investigators; evaluation offices; and external auditors, including the UN Joint Inspection Unit (JIU). These bodies are defined in the following text and illustrated in figure 1.

- *Member states* refers to those countries that are members of each of the UN organizations.
- *Governing body* is composed of member state representatives who are responsible for steering and directing the organization. Its role is to set and maintain the organization's strategic direction, effective and efficient allocation of resources, and effective monitoring of management and operations. The governing body exercises oversight over senior management.
- *Governing body committee* is composed of member state representatives who are responsible for certain governance functions, such as budget and finance committees; it makes recommendations to the governing body or acts on its behalf in the interests of efficiency and effectiveness.
- *Senior management* refers to the chief administrative or executive officer of a UN organization and his or her senior management team. Senior management is responsible for the organization's day-to-day operations and the implementation of the policies, strategies, and budgets established by the governing body. It has the duty to assess risk and establish effective controls to achieve objectives and avert risk. Senior management exercises oversight over the organization's operational activities.
- *Internal auditors* determine whether there is an adequate and effective system of internal controls for providing reasonable assurance with respect to the integrity of financial and operational information; compliance with regulations, rules, policies, and procedures, and safeguarding of assets; economic and efficient use of resources, and identifying opportunities for improvement; and effectiveness of program management for achieving objectives consistent with policies, plans, and budgets. Internal auditors are generally accountable to the organization's senior management.

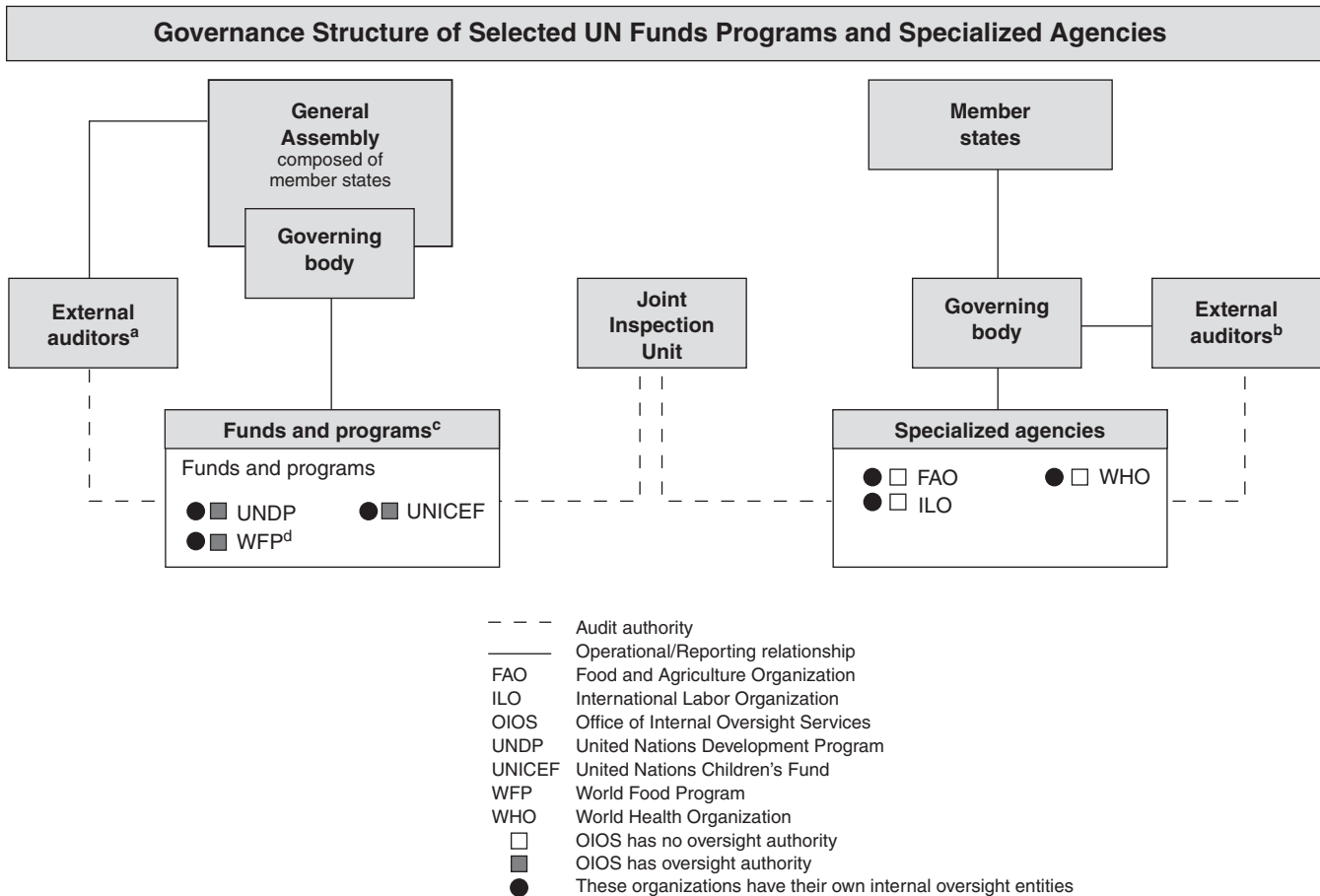
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- The *Office of Internal Oversight Services* is the internal auditor of the UN Secretariat and other UN organizations, including several funds and programs, under the authority of the UN Secretary-General. Certain funds and programs, such as UNDP and UNICEF, fall within OIOS's jurisdiction but do not always use OIOS's services because they have their own oversight units. OIOS's authority does not extend to UN specialized agencies, such as FAO, ILO, and WHO.⁷
 - *Investigators* examine allegations of wrongdoing, including fraud, corruption, misconduct, and other irregular activity, to propose corrective management and administrative measures, such as an eventual prosecution or disciplinary measures as appropriate. Investigators are accountable to the organization's senior management.
 - *Evaluators* determine the relevance, effectiveness, and impact of an ongoing or completed program, project, or policy in light of its objectives and accomplishments to incorporate lessons learned into decision-making processes. The governance structures of evaluation offices vary among organizations; either the governing bodies or the heads of the organizations are responsible for the governance of the evaluation offices.
 - The *external auditor* reports on the organization's accounts and may make observations on financial procedures, the accounting system, internal financial controls, and the administration and management of the organization in general. Several bodies within the UN system provide external oversight. The *Board of Auditors* (BOA) serves as the external auditor for the UN funds and programs. BOA is mandated to express an opinion on the financial statements and, in general, on the administration and management of the organization. Each of the specialized agencies has its own external auditor, which is generally the Auditor-General of a member state's supreme audit institution.⁸

⁷GAO-06-575.

⁸BOA examines the UN Secretariat and other UN organizations within the Secretary-General's authority. BOA is presently composed of the heads of the national audit offices of France, the Philippines, and South Africa. Unlike the other funds and programs, WFP does not fall under BOA's jurisdiction. Instead, WFP's governing body appoints its external auditor in accordance with WFP's Financial Regulations. The National Audit Office of the United Kingdom currently serves as the external auditor of WFP and ILO, while the Comptroller and Auditor-General of India serves as the external auditor for WHO and FAO.

- In addition, the *Joint Inspection Unit*, the only independent systemwide external oversight body, has the authority to perform inspections, evaluations, and investigations throughout the UN system, including the funds and programs and specialized agencies.⁹

Figure 1: Governance Structure of Selected UN Funds and Programs and Specialized Agencies



Source: GAO analysis of UN data.

⁹JIU primarily examines thematic areas, such as the possibility of outsourcing certain services that cut across UN organizations. Although the JIU statute provides it with the mandate to conduct investigations, at the time of our study, it did not have the resources to carry out its mandate to investigate wrongdoing, according to JIU.

^aThe Board of Auditors serves as the external auditors for both UNDP and UNICEF. Currently, the National Audit Office of the United Kingdom serves as the external auditor for WFP.

^bCurrently, the National Audit Office of the United Kingdom serves as the external auditor for ILO, while the Comptroller and Auditor General of India serves as the external auditor for WHO and FAO.

^cUN funds and programs operate under the authority of the UN Secretariat.

^dWFP is under the authority of the Director General of FAO and the UN Secretary-General.

The UN funds and programs and specialized agencies organize their internal oversight functions¹⁰ in different ways. For example, in most of the UN organizations we examined, the oversight functions are separated into two distinct units—one unit for the audit and investigation functions, and another unit for the evaluation function—while in WHO, these three functions are combined into a single unit and operate under one office. Figure 2 provides an overview of the organizational structure of the oversight functions at the UN organizations we studied, as well as their total budgets for the biennium 2006-2007. On the basis of UN member states' assessed rates of contribution, the U.S. government provides 22 percent of the budgets of FAO, ILO, and WHO. The amounts that the United States provides to UNDP, UNICEF, and WFP are on a voluntary basis. On the basis of the United States' budget for fiscal years 2006 and 2007, the United States provided total amounts of about \$209 million to UNDP and \$249 million to UNICEF. In calendar year 2006, the United States contributed \$1.1 billion to WFP.¹¹

¹⁰For the purposes of this report, oversight functions include audit, investigation, and evaluation functions.

¹¹Contributions to WFP are dependent on an ongoing needs assessment for emergency food aid. Therefore, State could not provide us with an estimate for U.S. contributions made in 2007.

Figure 2: Internal and External Oversight Structure of Selected UN Funds and Programs and Specialized Agencies

Oversight	UNDP	UNICEF	WFP	ILO	WHO	FAO
2006-2007 biennium agency budget (dollars in billions)	\$9.2	\$4.9	\$5.9	\$0.6 ^a	\$3.3	\$1.7
Member states	191	191	191	178	192	189
Size of governing body	36	36	36	56 ^b	32	49
Oversight function						
Audit and investigation	In the Office of Audit and Performance Review	In the Office of Internal Audit	Both report to the Inspector General and are in the Oversight Services Division	In the Office of Internal Audit and Oversight	In the Office of Internal Oversight Services ^c	Under the Office of the Inspector General
2006-2007 budgets (dollars in millions)	\$20.2: audit and investigation	\$9.2 audit \$0.8 investigation	\$6.7 audit \$2.0 investigation	\$1.8: audit and investigation	\$7: audit, investigation, and evaluation	\$5.9: audit and investigation
Current unit staff size	Audit: 49 positions, including 39 professional staff Investigation: 6 positions, including 5 professional staff	Audit: 24 positions, including 21 professional staff Investigation: 1.5 positions	Audit: 21 positions, including 14 professional staff Investigation: 7 positions, including 5 professional staff	5 positions, including 4 professional staff	16 positions, including 14 professional staff and 6 vacancies with 1 vacant senior investigator position	Audit: 17 positions, including 13 professional staff and 3 vacancies Investigation: 5 positions, including 2 vacancies
Evaluation^d	Conducted by evaluation offices	Conducted by evaluation offices	Conducted by evaluation offices	Conducted by evaluation offices	Conducted by the Office of Internal Oversight Services	Conducted by evaluation offices
2006-2007 budgets (dollars in millions)	\$8.0	\$7.4	\$5.2	\$1.5	See total budget in audit and investigation section	\$5.8
Current office staff size	20 positions for the evaluation office at headquarters, including 19 professional staff 20 dedicated professional field positions funded by separate budget	12 positions for the evaluation office at headquarters, including 9 professional staff 56 dedicated professional field positions funded by separate budget	12 positions, including 8 professional staff Budget and staff data do not include regional and country offices	4 positions, including 3 professional staff	2 evaluation officers included in total positions above	12 positions, including 9 professional staff
External auditors	UN Board of Auditors	UN Board of Auditors	National Audit Office of the United Kingdom	National Audit Office of the United Kingdom	Supreme Audit Institution of India	Supreme Audit Institution of India

Source: GAO analysis of UN data.

^aILO's 2006-2007 biennium budget figure does not include voluntary contributions.

^bILO's governing body is a tripartite structure, which is composed of 28 member state representatives, 14 employer members, and 14 worker members.

^cWHO's OIOS is composed of the audit, investigation, and evaluation functions.

^dEvaluations can be conducted or managed or both by headquarters, regional, and field offices. Some evaluation offices (UNDP, ILO, WHO, and FAO) are centrally managed and oversee the activities of the regional and field offices. Other evaluation offices (UNICEF and WFP) activities are decentrally managed and overseen directly by the regional and field offices.

The audit, investigation, and evaluation functions within UN organizations were established to advise senior management. The primary objective of internal oversight in these organizations is to assist senior management in fulfilling its responsibilities by providing advice on the adequacy of internal controls and management practices on the basis of a systematic and independent review of the organizations' operations. For example, the mission of WFP's internal audit office is to help the organization accomplish its objectives with a systematic approach to assess the organization's risk-management, control, and governance processes and suggest improvements to them. At the six organizations we studied, the chief audit executives were appointed by and accountable to the heads of their respective organizations, and in some organizations—such as ILO and WHO—the appointments are made following a consultation with its governing body.

The span of oversight and accountability of the evaluation function varies among the six organizations we examined. Also, the types of evaluations vary and may include corporate,¹² thematic, and programmatic evaluations. Generally, at the six organizations that we examined, evaluation reports are made publicly available.¹³ UNDP, ILO, WHO, and FAO evaluation functions are centralized, such that the headquarters evaluation offices manage the evaluation function of the organization. For example, based on the evaluation policy of UNDP, the evaluation office at headquarters is the custodian of the evaluation function.¹⁴ As such, the evaluation office,

¹²Corporate evaluations have a scope that is of interest to the whole organization and have systemic implications.

¹³ILO said that its public page contains full text reports of major evaluations and abstracts of all other independent evaluations. According to UNICEF, as established by the Evaluation Committee Rules and Procedures in June 2004, the evaluation office will assume that all reports are suitable for public dissemination unless informed in writing by the commissioning office.

¹⁴In June 2006, the governing body of UNDP approved its first evaluation policy, which is in line with the requirements of UNEG norms and standards.

among other things, submits its annual plan to the governing body, reports annually to the governing body on the function, findings and recommendations of evaluations, assures mandatory decentralized evaluations and support quality assurance of evaluations, as well as conduct strategic, thematic, program, and other evaluations as required.¹⁵ In contrast, the management of UNICEF's and WFP's evaluation functions is decentralized. For example, WFP's evaluation function consists of its central evaluation office, which manages evaluations, complemented by evaluations that are managed by regional bureaus and country offices. In addition, WFP's evaluation office at headquarters provides limited informal support to the bureaus and country offices. UNICEF's evaluation office at headquarters commissions and conducts evaluations and provides guidance on evaluation standards, but it has no responsibility for overseeing the quality and independence of evaluations at the regional or country level. The regional office conducts evaluations related to regional strategies and provides oversight and support for evaluations undertaken by country offices, and the country offices are responsible for strategically selecting and conducting evaluations at the country level.


UN Internal Audit Offices Have Not Fully Implemented Key Components of International Auditing Standards

Although the six UN internal audit offices that we examined have made progress in implementing key components of international auditing standards, they have not fully implemented key components of the standards. All of the audit offices are at various stages of developing and implementing their own risk-based work plans, but they lack a completed organizationwide risk-management framework, which is essential in identifying the areas with greatest exposure to fraud, waste, and abuse. In addition, three audit officials stated that their audit offices lack sufficient staff to cover high-risk areas. Three audit offices have not fully implemented quality assurance processes, such as internal and external peer reviews. All of the audit offices have a recommendations tracking and follow-up system to ensure that senior management is addressing deficiencies identified by internal and external auditors, and some offices have undertaken efforts to strengthen their follow-up process. In addition, some of the organizations do not have professional investigators and rely

¹⁵UNDP defines strategic evaluations as those evaluations that assess its performance in areas that are critical to ensuring sustained contribution to development results in the context of emerging development issues and changing priorities at the global and regional levels. Strategic evaluations may cover the organization's policies and programmatic approaches.

heavily on auditors to probe allegations of wrongdoing, a practice that could impact the organizations' ability to ensure that investigations are properly carried out. In addition, while most of the organizations are in various stages of considering and implementing ethics policies, none have adopted financial disclosure requirements for their oversight staff to monitor potential conflicts of interest. Figure 3 provides information on the six UN audit offices' progress toward implementing international auditing standards.

Figure 3: Selected UN Funds' and Programs' and Specialized Agencies' Progress toward Implementing International Auditing Standards

Institute of Internal Auditors (IIA) Auditing Standards	UNDP	UNICEF	WFP	ILO	WHO	FAO
Risk-based planning (IIA standards 2010 and 2110)						
Annual risk-based work plans informed by entity's risk-management framework						
Resource management—audit (IIA standard 2030)						
Sufficient resources to achieve audit work plans						
Quality assurance (IIA standards 1300 and 1312)						
Systematic internal quality assurance processes						
External assessment (every 5 years)					 ^a	
Recommendation tracking (IIA standards 2500 and 2500.A1)						
System in place to monitor recommendations						
Process for following up on implementation status						
<ul style="list-style-type: none"> No implementation – Evidence that no steps have been taken to implement the standard. Partially implemented – Evidence of some actions taken toward implementation. Category can range from a few initial steps to actions that indicate considerable progress has been made. Generally implemented – Evidence of a series of actions that indicate the standards are generally or mostly implemented. 						

Source: GAO analysis of UN data.

^aWHO conducted an internal self-assessment that was validated by an external party. The scope and findings of this review were not provided to GAO.

All Audit Offices Are Developing Risk-Based Work Plans but Lack Completed Organizationwide Risk-Management Frameworks to Guide Their Work

IIA Standard: Planning

The internal audit activity plan of engagements should be based on a risk assessment, undertaken at least annually. The input of senior management and the board should be considered in this process. (2010.A1)

All audit offices are developing and implementing risk-based work plans, but the organizations' senior management has not completed organizationwide risk-management frameworks that would assist in guiding the audit offices' work plans, as shown in figure 3. A risk-management framework is (1) a systematic approach to identifying, assessing, and acting on the probability that an event or action may occur that could threaten or adversely affect an organization's activities, assets, and reputation and (2) the responsibility of the organization's management. Accordingly, the framework should reflect senior management's perspective of the organization's risk environment and enable the internal audit office to direct audit resources to those areas with the greatest exposure to fraud, waste, and mismanagement. While risk management is the responsibility of the organization's senior management, IIA standards state that the internal audit office should assist the organization by identifying and evaluating significant exposures to risk and by contributing to the improvement of risk management and control systems.

While the internal audit offices of ILO, UNDP, UNICEF, WFP, and WHO have contributed to their respective organizations' development of a risk-management framework, none of the organizations have fully completed such a framework. For example, IIA reported that WFP's audit office played a key role in introducing an organizationwide risk-management framework by helping to draft the risk-management proposal that the executive board approved in late 2005 and by facilitating a series of organizationwide risk-management workshops for headquarters and field offices.¹⁶ IIA also reported that the implementation of this organizationwide risk-management framework would take about 2 years to complete, and it recommended that WFP continue to implement the framework. In response to IIA, WFP indicated that it was in the process of identifying a corporate risk coordinator and a chief risk officer to work on the project's implementation. However, these are only initial steps to developing an organizationwide risk-management framework. WFP audit officials stated that until WFP has a risk-management model in place, the audit office will have to rely on its current process for assessing risks, which includes a range of factors, such as questionnaires to managers; consideration of prior audit results; emerging risks identified in consultation with management; and the results of data collection and analysis. In contrast, FAO's audit office has not been involved in assisting senior management in developing

¹⁶This information is based on IIA's review of WFP's audit function in 2006.

an organizationwide risk-management framework, according to FAO's senior audit officials.

All audit offices are making progress toward establishing their own risk-assessment processes to plan their work. These processes are unique to each audit office, and the methodology for conducting the risk-assessments ranges from an informal process to a more formal risk-assessment model. For example, ILO's audit office developed a risk-assessment model and undertook a risk assessment toward the end of 2006. The model is based on a quantitative approach that defines the audit universe, numerically ranks audit risks on the basis of a risk index, and uses a formula-based scoring system. Previously, ILO's external auditor had recommended that the audit office develop a more comprehensive risk-based work plan for each biennium, and that the plan be formally accepted or approved by the head of the organization to confirm his satisfaction on the level of internal audit assurance being delivered. ILO first used this risk model to prioritize its 2007 work plan. Another example is WHO's audit office, which uses an informal risk-assessment process to plan its audit work. WHO audit officials stated that the organization has engaged a consultant to assist in developing an organizationwide risk-management framework. Once this framework is established, audit officials said that they will be better informed and will use the framework to help refine their risk-based work plans.

Finally, all audit offices submit their risk-based work plans for review and approval by senior management. However, only WHO submits its work plans to the governing body for review as called for by IIA standards. IIA standards state that the input of senior management and the governing body (board) should be considered in the work plan. Input from the governing body is essential to help ensure, among other things, that the work plans are consistent with the organizations' goals; that management understands its risk environment; and that the audit office has sufficient resources (which are determined by the management and the governing body) to execute the work plan. In addition, most audit offices (FAO, UNDP, UNICEF, WFP, and WHO) create annual work plans as called for by IIA standards.¹⁷ However, according to audit office officials, their work plans would benefit from an organizationwide risk assessment that reflects management's perspectives of the organizations' risk environment.

¹⁷ILO prepares a comprehensive risk-based work plan on a biennium basis and updates the work plan annually.

Some Audit Offices Lack Sufficient Staff to Cover High-Risk Areas

IIA Standard: Resource Management

The audit chief should ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan. (2030)

Three of the six senior audit chiefs (FAO, UNICEF, and WFP) reported that they do not have sufficient resources to carry out their approved work plans, while three (ILO, UNDP, and WHO) reported that they have sufficient resources. IIA standards require that audit chiefs have resources that are appropriate, sufficient, and effectively deployed to achieve the approved work plan. While UN audit chiefs can request additional resources from the head of the organization through the budgeting process, it is the responsibility of the head of the organization to ensure that the audit office receives sufficient resources to audit high-risk areas or accept the risks for not taking action. Generally, UN governing bodies are unaware of the audit offices' budget requests, but governing bodies would be aware of external auditors' reports that identify the need for increased audit resources. Without sufficient financial resources for audit and investigative positions, audit offices would not be able to adequately address areas, such as financial management and information technology systems that are vulnerable to fraud and abuse. We did not review the sufficiency of the reported resources.

Senior audit officials of FAO, UNICEF, and WFP stated that they do not have sufficient resources to execute their audit work plans. UNICEF's audit capacity does not provide adequate coverage of high or significant audit risk areas in headquarters and the field, according to UNICEF senior audit officials and UNICEF's external auditor, BOA. BOA reported in June 2006 that the audit office's deployment of most of its staff resources to the field has limited its coverage of the 18 headquarters offices and divisions. Specifically, BOA reported that between 1999 and 2005, the audit office conducted between one and four headquarters audits per year, and that in a number of cases, the areas audited did not pertain to the core activity of the division. BOA also reported that except for one review—the financial logistics system security and authorization—carried out in 2001, the audit office had not audited information technology areas such as data centers, applications, networks, security, and data integrity. At the time of BOA's audit, the audit office lacked information technology (IT) expertise, but it subsequently hired one senior IT specialist in 2006. UNICEF audit officials agreed with BOA's findings and informed us that additional auditors are still needed to expand the coverage of headquarters, systems, and performance audits. According to BOA, a possible indicator of understaffing is the relationship between the number of audit staff and the growth in UNICEF's budget and country offices. For example, between 2000 and 2004, although UNICEF's budget increased by about 57 percent and its reserves and fund balances doubled, the audit office's staff level decreased by one during that period. UNICEF audit officials informed us that on the basis of BOA's audit,

its executive board requested that the audit office conduct a needs assessment of its resource requirements, which it is currently performing as part of a UNICEF-wide review.

FAO's audit chief also informed us that the audit office lacks sufficient resources to address high-risk areas. The audit chief said that there are many high-risk areas that the audit office cannot cover within a 2-year period, and that FAO would like to cover 100 percent of its high-risk areas every 2 years. According to the audit chief, FAO's audit work plan is driven by the financial resources provided to the internal audit unit, and the determination of which high-risk areas to cover depends on the amount of available financial resources.

WFP's audit chief informed us that the audit office does not have sufficient resources to conduct its planned work for 2007. The audit chief stated that the audit office had experienced a budget shortfall based on its work plan for 2007, and that WFP absorbed this shortfall by decreasing audit coverage of lower-risk areas. However, WFP senior officials stated that further budget revisions and curtailment of planned recruitment in 2007 has left WFP's internal audit service short of its requirements, and that budget uncertainties continue into 2008. Furthermore, according to the audit office, for 2007, resource constraints have resulted in deferred audit coverage of a number of field offices, and the planned audit of a complex special operation also was deferred to a future year.

ILO's, UNDP's, and WHO's audit chiefs stated that their audit offices have sufficient resources to conduct most of their planned audit work, especially in high-risk areas. According to ILO's audit chief, the audit office has sufficient resources to achieve its 2007 audit work plan, and funds are available in the 2007 budget to outsource an IT audit.¹⁸ ILO's external auditor had recommended in 2006 that the office consider increasing its level of IT audit specialists to support the audit of internal controls, particularly regarding its integrated resource information system. The audit chief also stated that the proposed 2008-2009 program budget includes provisions for an additional professional staff, a part-time general service staff, as well as nonstaff resources, which could be used to provide IT audit services. The International Labor Conference will consider the proposed

¹⁸However, according to ILO's audit chief, the 2007 work plan is based on current staffing levels, and the achievement of the work plan will be subject to demands placed on the audit office to undertake investigations.

2008-2009 budget in June 2007. In addition, WHO's audit chief stated that he has obtained the number of positions that his office requires to complete its planned work and has not had to postpone work or travel due to lack of resources. WHO's audit chief also reported that the office successfully hired additional staff in 2006 for the 2007 plan of work.

UNDP's senior audit officials stated that the organization currently has sufficient resources to address most of its audit work plan for 2007. In 2005, the audit office reported to the agency head that the cases of fraud uncovered in some country offices and at headquarters had occurred over long periods, which indicated that internal controls and review processes, including internal audits, had been very weak. In 2006, the audit office requested a budget of about \$13 million on the basis of its risk-based work plan.¹⁹ However, UNDP's senior management initially provided the office with a budget allocation of about \$7 million, according to UNDP audit officials. The audit office did not have enough funds to perform its planned work and requested additional resources, which was increased by three subsequent allotments totaling \$1.4 million. Both the audit chief and UNDP's external auditor had emphasized to the head of the organization that the audit function needs to be strengthened. Furthermore, BOA reported in June 2006 that UNDP's internal audit coverage was insufficient and that in the past 4 years, the audit office had performed an average of less than four audits per year at headquarters, all of which were of a very limited scope. BOA reiterated its recommendations to increase the audit capacity to cover key areas, such as financial records, procedures, and controls at headquarters. In April 2007, UNDP officials informed us that for 2004 to 2006, all very-high-risk-rated countries and 72 percent of high-risk-rated countries had been audited. In addition, UNDP officials said they performed a risk assessment at the end of 2006, and senior management allocated \$10 million to carry out its audit work plan in 2007. Furthermore, the officials said that senior management has committed to allocate additional resources as deemed necessary. According to UNDP officials, for the 3-year period of 2005 to 2007, they plan to audit all very-high-risk areas and 96 percent of high-risk countries.

¹⁹The \$13 million would have allowed high-risk countries to be audited once every 2 years, medium-risk countries once every 3 years, and low-risk countries once every 4 years.

Some Audit Offices Have Not Fully Implemented Quality Assurance Processes

IIA Standards: Quality Assurance and Improvement Program

Internal assessments should include ongoing reviews of the performance of the internal audit activity. (1311)

External assessments, such as quality assurance reviews, should be conducted at least once every 5 years by an independent reviewer or review team from outside the organization. (1312)

Although all six audit offices have a number of quality assurance measures in place, FAO, ILO, and UNDP fall short of fully meeting the IIA quality assurance auditing standards. Quality assurance mechanisms are important tools that can provide a level of assurance to the management of the organization on the effectiveness and performance of the audit function. Quality assurance and improvement programs include continuous reviews that are conducted by internal and external reviewers. Internal reviews include supervisory reviews of audit documentation and reviews of completed audits by auditors who were not involved with the engagement to determine whether they were conducted in accordance with the organization's quality control policies and procedures. External reviews are generally conducted by independent firms that examine the audit function and audit documentation against established auditing quality standards, such as IIA standards.

While all audit offices have some form of internal quality assurance processes in place, the processes vary widely across organizations and are not always standardized or documented. All audit officials stated that their internal quality assurance processes include reviews of audit documentation by senior audit officials, audit peers, or team coordinators to determine whether there is sufficient evidence to support audit findings. For example, WHO audit team coordinators review work conducted by auditors from the inception to the end of the audit and examine the quality of work and the audit evidence gathered. In addition, WHO's internal oversight director stated that he reviews all aspects of the auditing work, including planning memorandums, report drafts, and comments from the auditee, before a report is issued in its final format. While some audit offices, such as ILO, UNICEF, and WFP, have documented their internal quality assurance processes or have adopted software that documents their quality assurance processes, FAO and UNDP have not. UNDP has not documented its quality assurance process, and the audit office is currently taking steps to document the process to comply with IIA standards. FAO audit officials stated that they do not have standardized procedures to review audit documentation of field auditors but expect to standardize the process with the introduction of electronic work papers that auditors from headquarters can review. Standardized procedures, including documentation of the internal quality assurance process, would help to provide assurance that the internal audit activity is performed in accordance with the organization's standards and assist peer reviewers in evaluating the organization's compliance with the standards.

Although periodic external peer reviews required by IIA can provide reasonable assurance of the quality of the audit offices' work, we found that two of the audit lacked a timely external review. UNDP, UNICEF, WFP, and WHO audit offices have met IIA standards by undergoing external reviews of their quality assurance processes at least once over the past 5 years. On the basis of an external review of UNDP's 2004-2005 audit activities, in June 2006, UNDP's external auditor made several recommendations for improving UNDP's audit activities. For example, BOA recommended that UNDP enforce the timely receipt of audit reports that are prepared by contractors who audit UNDP program activities in the field to facilitate the audit office's review. BOA also reviewed UNICEF's audit activities and reported that UNICEF had implemented many quality assurance processes required by IIA standards. BOA recommended that the audit office institute internal peer file review and ensure that there is evidence of supervisory review on all audit documentation. UNICEF responded that it had implemented BOA's recommendations pertaining to quality assurance. Regarding WFP, IIA conducted an external review in March 2006 and found that WFP generally conforms to its standards. IIA made a number of recommendations, including that WFP expand and formalize its internal quality assessment activities, such as supervisory reviews of selected audits, and provide training to audit management and staff to ensure consistent application of audit documentation standards. WFP reported that it is in the process of implementing these recommendations. In August 2006, WHO's OIOS performed an internal quality assurance self-assessment, which was validated by external reviewers. However, WHO did not provide us with information covering the scope and findings of this review. According to the director of WHO's OIOS, the quality assurance review included the office's three functions of audit, evaluation, and investigation and indicated general compliance with IIA standards.

FAO and ILO have not had external peer reviews in the past 5 years, according to audit officials. For example, FAO audit officials stated that FAO's audit office was peer reviewed in 2001 against standards established by the UN Panel of External Auditors. The office was due to be reviewed in 2006, but the review was postponed due to budget constraints. However, IIA began a review in February 2007, according to FAO audit officials. ILO has not had an external review, but according to the acting chief of audit, plans have been placed on hold for such a review due to difficulty in having audit staff available to support the review. According to ILO's acting chief of audit, funds have been included in the 2007 budget for an external

review to be performed on the basis of IIA's standards beginning in fall 2007.

All Audit Offices Have Implemented a Recommendations Tracking System and Follow-up Process, and Some Have Implemented Mechanisms to Strengthen Their Process

IIA Standards: Monitoring Progress

The chief audit executive should establish and maintain a system to monitor the disposition of results communicated to management. (2500)

The chief audit executive should establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action. (2500.A1)

All six audit offices we examined have a system in place to monitor and follow up on the recommendations that are made to agency management to help ensure that proper attention is being paid to any deficiencies that are identified by the internal audit office. Some audit offices have also undertaken efforts to strengthen their follow-up process to ensure that recommendations are acknowledged and addressed by their organizations' management. UNDP, UNICEF, and WFP track the status of their recommendations in electronic work paper software, such as CARDS, Team Mate, and AutoAudit.²⁰ UNICEF reports that establishing the database in AutoAudit has significantly improved tracking and reporting on the status of its recommendations. In contrast, FAO, ILO, and WHO track their recommendations in software such as Excel or Access. FAO audit officials said that they plan to use Team Mate in the future because Excel is not as flexible, and that Team Mate will allow for input from the departments they have audited.

All audit offices have a process in place to follow up on the status of their recommendations and to determine whether any action has been taken to address them. However, the frequency of follow-up and the way in which it is conducted varies from agency to agency. For example, three of the audit offices follow up with auditees every 6 months (FAO, ILO, and UNDP); UNICEF follows up quarterly; WFP follows up monthly on the basis of the recommendation implementation due date; and WHO has no set time frame for follow up, which instead is determined by the types of outstanding recommendations. The audit offices rely on implementation reports from the offices that were audited to determine whether adequate actions have been taken to close the audit recommendations. However, all senior audit officials we interviewed stated that these written reports from the auditees are supplemented by subsequent reviews of the status of recommendations during the audit office's next field visit to verify whether the appropriate actions were taken to implement the recommendations.

Three of the audit offices (FAO, ILO, and WFP) have established mechanisms to ensure that recommendations are acknowledged and

²⁰AutoAudit is an electronic audit system that is widely used in the audit industry. The planning, execution, and follow-up actions of all audits are documented in AutoAudit.

addressed by organization management. For example, according to an FAO official, the audit committee has been playing an active role in monitoring the status of recommendations, and, as a result, there is more commitment from management to follow up on recommendations. At every audit committee meeting, the committee members review each recommendation to determine which ones have not been addressed. As a result of the audit committee's regular monitoring, FAO has cleared the backlog of recommendations and improved the timeliness of their implementation. According to FAO, of the 2,790 recommendations issued during 2000 to 2005, 88.9 percent are closed, 4.9 percent are open, and 6.2 percent are ongoing. ILO's Accountability Committee is charged with examining cases of persistent failure on the part of officials to implement the recommendations of the internal and external auditors. Furthermore, according to WFP audit officials, WFP's audit committee is very active in consulting with management in instances of nonresponsiveness by management and where internal audit has concluded that management's implementation plans are not satisfactory.

Some Internal Oversight Units Lack Sufficient Investigative Staff and Rely on Other Parties to Investigate Wrongdoing

Investigation, which is an integral element of oversight, is a legally based and analytical process designed to gather information to determine whether wrongdoing has occurred. At the six organizations we examined, investigations are guided by the UN Uniform Guidelines for Investigations. Three internal oversight units lack a sufficient number of professional investigators and rely on other parties who may not be qualified to conduct investigations, such as auditors, to determine whether wrongdoing has occurred. In addition, some of the oversight units that do have professional investigators reported that they are limited in their capacity to conduct investigations with their existing staff. Limited investigative capacity impacts their ability to conduct planned audits and close cases, which may cause backlogs. According to the UN Uniform Guidelines for Investigations, organizations should reasonably ensure that resources available for investigations are proportionate to the number and magnitude of allegations and the potential benefits to the outcome of the case. Figure 4 provides information on selected UN funds' and programs' and specialized agencies' progress toward ensuring sufficient resources to perform investigations.

Figure 4: Selected UN Funds' and Programs' and Specialized Agencies' Progress toward Ensuring Sufficient Resources to Perform Investigations

UN Uniform Guidelines for Investigations	UNDP	UNICEF	WFP	ILO	WHO	FAO
Ensure sufficient resources to perform investigations						
<ul style="list-style-type: none"> No implementation – Evidence that no steps have been taken to implement the standard. Partially implemented – Evidence of some actions taken toward implementation. Category can range from a few initial steps to actions that indicate considerable progress has been made. Generally implemented – Evidence of a series of actions that indicate the standards are generally or mostly implemented. 						

Source: GAO analysis of UN data.

Currently, ILO, UNICEF, and WHO do not have professional investigators. UNICEF and WHO each have one full-time position allocated for a professional investigator. UNICEF's position is currently vacant, while WHO's position is in the process of being filled. ILO does not have any investigator positions, although its internal oversight officials have made several requests to management for additional investigative resources. In March 2007, ILO's governing body approved ILO's 2008-2009 budget, which requested an increase for oversight resources. According to ILO's chief internal auditor, the additional resources will be allocated to employ a qualified and experienced investigator. In addition, while UNDP has professional investigators, in late 2006, UNDP senior officials reported they needed additional investigative staff because of increases in the number of cases due to the adoption of a whistleblower protection policy and the establishment of a fraud hotline in 2005. Accordingly, UNDP's internal oversight unit stated in its annual report to its governing body that additional investigative resources are needed to address the increased caseload. Subsequently, in 2007, UNDP's investigative unit received a 43 percent increase in resources, for a total of \$2 million, and UNDP officials told us that they are sufficiently staffed to meet their needs. Moreover, FAO's investigative capacity is limited because the head of investigations is the only staff member with a background in investigations. The rest of the staff consists of auditors who have some investigative training but lack investigative experience, according to FAO officials. Currently, WFP's investigative function is staffed with seven positions, including five professional staff. However, there are new organizationwide initiatives that may increase WFP's caseload, and WFP's senior officials told us they will

monitor the impact of these initiatives to ensure that investigative resources continue to be sufficient.

Because the UN internal oversight units we examined lack professional investigators, these units rely on auditors or consultants to conduct investigations. As a result of their limited capacity, many internal oversight units have backlogs of investigative cases and are unable to complete planned audits. The internal oversight units of ILO and WHO, which do not have professional investigators, rely on auditors to conduct investigations on an as-needed basis. Currently, all of ILO's auditors are engaged in conducting investigative work, according to ILO senior officials. Also, in a 2006 report of the internal oversight activities, WHO noted that it makes resources available for investigations as situations develop, and that regularly scheduled audit work is interrupted or deferred to provide resources for investigative purposes. FAO and ILO internal oversight officials reported that they have been unable to conduct their planned audits because auditor resources were diverted at times to conduct investigations that occurred throughout the year. In addition, some organizations hire consultants to conduct investigations as an interim measure. FAO, UNDP, WFP, and WHO officials reported hiring consultants to conduct investigative work. These shortfalls, in part, have led to a backlog of cases that have not been resolved at four of the six organizations we studied (FAO, UNDP, UNICEF, and WFP). For example, in 2006, UNDP reported a backlog of 57 outstanding cases—55 unresolved cases were carried forward from 2005, and 2 unresolved cases were from 2004. With the additional resources for two investigator positions UNDP received in 2007, UNDP officials told us that their capacity to handle cases should improve.

UN Agencies Are in Various Stages of Adopting Ethics Policies

Most organizations are in various stages of adopting ethics policies, such as requiring conflict-of-interest and financial disclosure statements and adopting whistleblower policies to protect those who reveal wrongdoing. Ethics policies could strengthen oversight by helping to ensure more accountability and transparency within the organizations. All UN employees are subject to standards for ethical conduct that have been

established by the International Civil Service Advisory Board.²¹ Ethical standards developed by IIA and the UN Uniform Guidelines for Investigations apply specifically to auditors and investigators, respectively. UNEG is currently drafting its own set of ethical guidelines for UN evaluation staff.²²

UN organizations have created various ethics policies across the six organizations to help to ensure that all staff, including internal oversight staff, are free from conflicts of interest. Some internal oversight units rely on their staff to comply with a general declaration that all UN employees sign when they are employed by the organization. For example, all FAO employees, including oversight staff, are required to sign a Declaration for Code of Conduct, which states that one must exercise loyalty and discretion as an international civil servant and maintain independence from any government or other external party. Similarly, in 2006, ILO began requiring all of its employees, including oversight staff, to complete a disclosure of interest statement on a periodic basis. WHO employees also complete a Declaration of Interest statement; however, the requirement applies to its senior managers and staff members who perform selected functions, such as procurement, and does not apply to its entire oversight staff. Other organizations, such as UNDP and WFP, rely on their oversight staff to self-report any conflict of interests, although WFP's investigative unit was developing a conflict-of-interest policy to cover investigations staff in fall 2006.

None of the six organizations we examined require their internal oversight staff to disclose their financial interests, which could help to ensure that employees are free from conflicts of interest. In late 2006, UNICEF

²¹The *Standards of Conduct for the International Civil Service* were prepared by the International Civil Service Advisory Board and were adopted by the United Nations General Assembly in resolution 56/244 in 2001. Regarding ethics, the *Standards of Conduct* state that international civil servants may be required to disclose certain personal assets if this is necessary to enable their organizations to make sure there is no conflict.

²²Although the IIA standards do not call for organizations to establish an ethics office or to provide compulsory ethics training, some UN organizations have made efforts to implement such policies. Among the six organizations we studied, only ILO and UNDP have established an ethics office or officer, while WHO is discussing whether to create such an office or position. The other organizations—FAO, UNICEF, WFP, and WHO—had not taken steps to establish such an office or position. UNDP is the only organization that we examined that has instituted compulsory ethics training, a best practice, for its employees. UNICEF offers voluntary ethics training to its staff, while other organizations have not developed or implemented such training.

established a financial disclosure policy for senior management and officials who are responsible for selected functions, such as procurement, but did not apply the policy to auditors, investigators, and evaluators below the senior management level. Although FAO does not currently require its oversight staff to disclose their financial interests, it is currently seeking governing body approval to amend its staff regulations to require financial disclosure statements. Once FAO has amended its staff regulations, WFP will also be able to require its staff to disclose their financial interests. However, FAO and WFP have not determined whether this policy will apply to all of their internal oversight staff. Furthermore, all six of the organizations we studied have made efforts to increase accountability by implementing whistleblower protection policies in line with UN Uniform Guidelines for Investigations to protect those who reveal wrongdoing within their respective organizations. FAO, ILO, UNICEF, WFP, and WHO have established whistleblower protection policies, and UNDP is developing such a policy. Figure 5 provides information on selected UN funds' and programs' and specialized agencies' progress toward implementing financial disclosure and whistleblower protection policies.

Figure 5: Selected UN Funds' and Programs' and Specialized Agencies' Progress toward Implementing Financial Disclosure and Whistleblower Protection Policies

Ethics Standard or Guideline	UNDP	UNICEF	WFP	ILO	WHO	FAO
Ethics: Employees may be required to disclose assets if necessary to ensure no conflict (International Civil Service Advisory Board standard); avoid conflict of interest; disclose impairments (IIA standard 1120-1130); and disclose actual or potential conflicts of interest (UN Uniform Guidelines for Investigations, Guidelines IC4 and IIIC)						
Financial interests disclosed by oversight staff						
Ethics: Protect identities of those who make complaints to investigative office (UN Uniform Guidelines for Investigations, Guideline IVA4)						
Whistleblower Protection Policy						
<ul style="list-style-type: none"> No implementation – Evidence that no steps have been taken to implement the standard. Partially implemented – Evidence of some actions taken toward implementation. Category can range from a few initial steps to actions that indicate considerable progress has been made. Generally implemented – Evidence of a series of actions that indicate the standards are generally or mostly implemented. 						

Source: GAO analysis of UN data.

UN Evaluation Offices Have Not Fully Implemented UN Evaluation Standards

Although the six UN evaluation offices that we examined are working toward implementing components of UN evaluation standards and norms, they have not fully implemented them.²³ These components include ensuring that adequate resources are allocated to enable the evaluation function to operate effectively, implementing quality assurance processes, and following up systematically on recommendations that were made to management. Most of the evaluation offices reported that they lack sufficient resources and staff with expertise to manage and conduct evaluations—conditions that have impacted their ability to conduct high-quality and strategically important evaluations.²⁴ Most of the evaluation offices have not fully implemented quality assurance processes; as a result, there are reported weaknesses in areas such as evaluation staff selection, design, and reporting processes. In addition, all of the evaluation offices are working toward fully establishing mechanisms that systematically follow up and report on the status of their recommendations to provide assurance to senior management that steps are being taken to address identified weaknesses in their programs. Figure 6 provides information on the six UN evaluation offices' progress toward implementing UNEG's standards and norms.

²³"Evaluation office" as used in this report refers to evaluations conducted or managed, or both, by headquarters, regional, and country offices.

²⁴Strategic evaluations are those that assess performance in areas that are critical to ensuring sustained contribution to development results in the context of emerging development issues and changing priorities at the global and regional levels. These strategic evaluations may cover policies and programmatic approaches.

Figure 6: Selected UN Funds' and Programs' and Specialized Agencies' Progress toward Implementing UNEG Standards and Norms

UNEG Standard or Norm	UNDP	UNICEF	WFP	ILO	WHO	FAO
Resource management (standard 1.1:2)						
Adequate resources for effective service delivery and capacity strengthening						
Competency of staff (norm 9.3 and standards 2.1:2 and 2.1:3)						
Sufficient staff with appropriate expertise to manage the evaluation process and to conduct evaluations						
Quality assurance (norms 8.1 and 8.2)						
Systematic internal quality assurance processes						
Recommendation tracking (norms 12.2 and 12.3, also standards 3.17:41 and 3.17:42)						
Systematic follow-up on implementation status						
Periodic report on recommendation implementation to the governing body and/or the head of the organization						
<ul style="list-style-type: none"> No implementation – Evidence that no steps have been taken to implement the standard. Partially implemented – Evidence of some actions taken toward implementation. Category can range from a few initial steps to actions that indicate considerable progress has been made. Generally implemented – Evidence of a series of actions that indicate the standards are generally or mostly implemented. 						

Source: GAO analysis of UN data.

Most Evaluation Offices Lack Sufficient Resources and Expertise

UNEG Standard/Norm

Ensure adequate financial and human resources for evaluation in order to allow efficient and effective delivery of services by a competent evaluation function and enable evaluation capacity strengthening. (standard 1.1:2)

Evaluators must have the basic skill set for conducting evaluation studies and managing externally hired evaluators. (norm 9.3 and standards 2.1:2 and 2.1:3)

The evaluation offices of FAO, ILO, UNICEF, UNDP, and WFP reported that they do not have enough staff or staff with the appropriate expertise, especially in the field, to manage or conduct high-quality and strategically important evaluations as required by UNEG. WHO's officials stated that their evaluation office has sufficient staff and staff with appropriate expertise to conduct and manage evaluations. Due to the lack of evaluations staff and expertise at most organizations, member states may not be provided with accurate and comprehensive information regarding whether the program or project is achieving its intended objectives, to make informed decisions as to whether the program or project should be modified or eliminated. Specifically, UNEG standards call for governing bodies or heads of the organizations, or both, to ensure adequate financial and human resources to allow the efficient and effective delivery of evaluation services by competent staff. In addition, although all evaluation offices engage consultants to supplement the work conducted by their evaluators, according to a panel of evaluation experts, the availability of qualified evaluation consultants in many countries is limited. Some regional officers have developed rosters of prescreened consultants to support country offices in managing the evaluation process. However, UN officials reported that budget constraints and limited supply of well-qualified people hamper regional directors' and monitoring and evaluation officers' efforts to hire local consultants. We did not review the sufficiency of the reported evaluation staff.

Officials in UNICEF's evaluation office and its peer review panel reported that they do not have sufficient numbers of staff or staff with appropriate expertise to conduct evaluations and to strengthen evaluation capacity.²⁵ Although the number of professional monitoring and evaluation staff has increased by 42 percent since 2002, UNICEF's evaluation officials reported that their staffing needs are still unmet at headquarters and in the field.²⁶ UNICEF also reported that funding for evaluations at the country level is not allocated separately from other functions so that the 156 professional staff in the field perform other duties as well as devote a portion of their time to conducting evaluations. In addition, the evaluation office reported

²⁵UNICEF reported that evaluation resources are scarcer for the more expensive evaluations, including corporate-level and country-program evaluations. Donor-funded efforts usually do not face implementation constraints, but quality may be less than desired if the country office does not have a fully skilled evaluation staff.

²⁶UNICEF reported that it had 48 evaluation professionals in 2002, and 68 in 2006.

that about two-thirds of UNICEF's offices do not have a monitoring and evaluation officer at the appropriate level of expertise and therefore are less able to consistently deliver high-quality evaluations.²⁷ In May 2006, an external peer review panel recommended that the resources for the evaluation office be increased to sufficiently cover strategic evaluations based on the organization's priorities. The review panel also stated that critical gaps in quality and resources at the regional and country levels weaken the usefulness of the evaluation function as a management tool. According to evaluation officials, UNICEF's executive board requested that they assess the adequacy of the evaluation budget, which they are currently performing as part of a UNICEF-wide review.

UNDP officials reported that they do not have sufficient staff or staff with the right skills to manage the evaluations that are performed by consultants at the country and regional levels.²⁸ According to UNDP officials, existing budget practices for evaluation vary among country offices. Evaluation resource requirements are often determined on an informal basis for field offices, and the amounts allocated are generally insufficient for quality evaluations. In addition, most of the country and regional offices are not staffed with evaluation specialists, but rather with focal points. With few exceptions, focal points are not evaluation specialists but managers with multiple responsibilities who may perform some evaluation-related work. Specifically, only 20 of the 142 country offices have full-time monitoring and evaluation professionals, specialists or advisors, while 22 country offices have only focal points. In addition, all 5 regional bureaus have focal points that support evaluation planning and liaise with country offices and with the evaluation office at headquarters. Only 1 regional center has a monitoring and evaluation specialist position.²⁹ A senior evaluation official informed us in April 2007 that a number of country offices are in the process of recruiting monitoring and evaluation professionals. In contrast, according to UNDP officials, the centrally managed evaluation function, which resides in the evaluation office at headquarters, independently produces evaluations of a strategic and policy nature and presents them

²⁷UNICEF has 126 country offices and 7 regional offices.

²⁸The evaluations conducted by UNDP fall into two categories: (1) independent evaluations conducted by the evaluation office at headquarters and (2) decentralized evaluations managed by country offices, regional bureaus, and practice and policy bureaus that are conducted by consultants.

²⁹*Annual Report of the Administrator on Evaluation in 2005* (May 2006).

directly to the Executive Board. These evaluations are funded adequately, and the expertise of the evaluation staff at headquarters and the consultants it recruits are considered highly professional.

FAO's evaluation officials informed us that FAO does not have sufficient resources to manage and conduct evaluations to address a reasonable level of senior management's concerns. The evaluation office relies heavily on the use of outside consultants for its expertise; however, it is difficult to maintain quality evaluations while only using consultants, according to the officials. Resources are needed to hire staff to manage the consultants' work.³⁰ In addition, ILO officials said that all four of its evaluation professionals at headquarters are experienced, and that they provide guidance to their regional and technical offices.³¹ However, all major evaluations are conducted by consultants in the field, and there is not enough staff at the field level with the expertise to manage the evaluation process and to ensure that the evaluations produced by the consultants are of good quality. ILO officials informed us in April 2007 that the 2008-2009 budget will include funding for two additional staff. Furthermore, according to WFP officials, their current plan of work for evaluations has been designed to fit resources allocated for evaluations rather than to ensure adequate resources for the evaluation function. WFP officials said that they lack resources to conduct evaluations especially in the regional and country offices. According to the officials, only 50 percent of WFP's planned decentralized evaluations managed by regional bureaus and country offices were actually conducted in 2006. Similar to other UN evaluation offices, such as UNDP and UNICEF, WFP officials said that there are few dedicated monitoring and evaluation staff in regional offices, and that most of them handle a large number of other duties with only limited experience in evaluation. According to the officials, this situation hampers the quality of decentralized evaluations.

³⁰The officials said that resources are inadequate for regular program activities and significantly inadequate for extrabudgetary programs.

³¹ILO's evaluation office at headquarters has three professional staff. The fourth evaluation professional staff joined the evaluation office in 2007 on a temporary basis for 1 year.

Most Evaluation Offices Have Not Fully Implemented Quality Assurance Processes

UNEG Norm

Each evaluation should employ design, planning, and implementation processes that are inherently quality oriented, covering appropriate methodologies for data collection, analysis, and interpretation. (norm 8.1)

Evaluation reports must present in a complete and balanced way the evidence, findings, conclusions, and recommendations, etc. (norm 8.2)

The evaluation offices of FAO, ILO, UNDP, UNICEF, and WFP have not fully implemented quality assurance processes to help ensure that evaluation reports adequately address criteria such as evaluation methodology, scope, evidence, and findings.³² WHO's director of OIOS states that the office has in place a stringent internal and external quality assurance review system for the evaluation function and that an internal quality assurance self-assessment, which was validated by external reviewers, indicates that the evaluation office was in general compliance with IIA standards.³³ A number of the reported deficiencies point to weaknesses in the design process (purpose and objectives, scope, and methodology); in the reporting process (evidence-based findings, conclusions, and limitations); and the staff selection process (the quality of the evaluators and management of the process). However, while not required by UNEG's standards and norms, some of the entities have taken steps to implement quality-review mechanisms, such as external peer reviews of draft reports, external review of their quality assurance processes, and evaluation committees, to provide an added level of quality assurance. UNDP and UNICEF have had external peer reviews of their evaluation offices at headquarters, and FAO, ILO, and WFP have performed quality appraisal exercises or self-assessments that have identified several areas where their quality assurance processes could be improved.

ILO's evaluation office reported in November 2006 that while it has addressed shortcomings in its evaluation practices, it needs to fully implement quality assurance processes to improve the quality of its evaluations. The evaluation office reported that some areas of the evaluations show strength, but the office does not consistently have well-developed monitoring and review plans, as well as indicators and targets, for which evaluators can conduct evaluations. To improve the quality of its

³²In addition, in 2005, UNEG performed a baseline review of its UN evaluation members and, among other things, reported that management follow-up and quality assurance processes were found to be consistently weak, according to UNICEF. UNEG Task Force on 'Quality Stamp' for Evaluation – Baseline Synopsis of UNEG Members (December 2005).

³³WHO's OIOS is composed of audit, evaluation, and investigation functions. According to the director, the office has chosen the IIA standards as the overarching professional guidance because they are more independent and authoritative than UNEG standards and are responsive to the evaluation function. However, OIOS also has adopted the UNEG standards for its evaluation function and applies them accordingly in the performance of evaluation projects. In addition, WHO conducted an internal self-assessment that was validated by an external party. The scope and findings of this review were not provided to GAO.

evaluation reports, ILO performed a quality appraisal exercise and reviewed 16 of the 65 independent project evaluations that were finalized in 2005. In November 2006, ILO reported, among other things, the following results on the basis of its review:

- About one-half of the evaluation reports did not state the purpose, scope, or objectives of the evaluation.
- Many reports did not include a methodology section or did not explain the methodology in a satisfactory manner.
- Only 1 of 6 evaluation reports that used sampling or case studies explained the selection method.
- All but 1 of the reports included recommendations and identified lessons learned, but it was difficult to extract the lessons learned from the evaluations.
- The findings and conclusions were generally of adequate to good quality, but the quality of the analysis varied.

On the basis of this appraisal, ILO officials stated that the two key factors for improving the quality of evaluations are the quality of evaluators and the effective management of the evaluation process. As a result, (1) the evaluation office has designed 1-day training courses on managing independent evaluations, guidelines to provide to all external evaluators on expected content and quality of their evaluation reports, and (2) steps are being taken to include oversight and control of the selection of evaluators, among other things.

A UNDP senior official reported in May 2006 that the quality and utility of the evaluations commissioned by country offices are uneven. Some evaluations present rigorous and credible assessments of UNDP performance, while others are lacking in their assessment of the program's performance and evaluative evidence, according to the UNDP senior official.³⁴ The UNDP senior official also said that part of the problem comes from a lack of clarity in program objectives and poorly defined

³⁴According to UNDP, the evaluations produced by country offices, besides being used for programmatic improvement, are building blocks for strategic, global, regional, and country program evaluations.

performance indicators. In contrast, UNDP officials said that the evaluation office at headquarters follows a strict regime of quality assurance, including quality validation by external advisory panels. In December 2005, an external advisory panel completed a peer assessment of UNDP's evaluation office at headquarters and reported that it produces evaluations that are credible, valid, and useful for learning and strategy formation in the organization.³⁵ UNDP reports that it is taking a number of actions to help ensure the quality of centrally managed and decentralized evaluations. In June 2006, the Executive Board approved an evaluation policy for UNDP, which is based on the requirements of UNEG standards and norms. Quality standards are being developed for each stage of the evaluation process, including the planning, conduct, and use of evaluations. UNDP officials said that these standards will provide objective, transparent benchmarks against which quality can be checked, scored, and ensured at each stage of the process.³⁶ According to UNDP officials, the implementation of the evaluation policy for field evaluations has just begun, and the evaluation office at headquarters intends to carry out an assessment of the policy's implementation in 2008-2009. Furthermore, the evaluation office hopes to update its handbook on evaluation and monitoring in 2007.

While UNICEF's evaluation office at headquarters reports that it has provided guidance and quality standards for conducting evaluations and reporting on them, it states that while there has been progress over the past 2 years, considerable improvement is required, particularly at its country offices, to ensure the quality of its evaluations.³⁷ In addition, UNICEF's peer review panel reported in May 2006 that at the country level, in particular, there were inconsistencies in applying guidance provided by the evaluation office at headquarters to ensure that all evaluations and evaluation reports meet the required quality standards. The panel reported that consideration should be given to strengthening guidance through training on evaluation reporting standards, such as evidence, conclusion, and recommendations, and that the accountability for quality assurance across UNICEF's

³⁵This peer assessment was designed under the auspices of the Organization for Economic Cooperation and Development/Development Assistance Committee Network on Development Evaluation.

³⁶*Annual Report of the Administrator on Evaluation in 2005* (May 2006).

³⁷UNICEF Evaluation Office, *The Quality of Evaluations Supported by UNICEF Country Offices 2000-2001* (September 2004). In this 2004 report, UNICEF stated that nearly one-third of its evaluations are poor, and that major improvements and value for money can be gained by enhancing quality.

evaluation function should be more clearly defined, particularly at the country and regional levels.

FAO evaluation officials said that they have a quality assurance process in place that differs on the basis of the types of evaluation reports it produces. According to the evaluation officials, internal quality assurance was strengthened with a set of quality standards introduced in the last 3 months and the addition of review conducted by external evaluation specialists to the reviews carried out by independent peer review panels and staff. FAO officials informed us that there was further room for improvement regarding whether the evaluation office was meeting UNEG's quality standards, including for corporate evaluations. WFP performed a self-assessment of its evaluation function in August 2005 as part of the UNEG checklist on evaluation quality and identified areas for improvement, such as ensuring that the quality of evaluation reports is systematically controlled by quality rules, which it is currently addressing.

While not required to do so by UNEG's standards and norms, some of the organizations have taken steps to implement quality review mechanisms, such as external peer reviews of draft reports, peer reviews of the evaluation function, and evaluation committees, to provide an added level of quality assurance. For example, WFP's evaluation office said that it uses the Active Learning Network for Accountability and Performance in Humanitarian Action (ALNAP) for the review of its humanitarian evaluations.³⁸ In addition, three of the evaluation offices (UNDP, UNICEF, and WHO) have had external peer reviews that cover their quality assurance processes within the past year or 2, while two are currently undergoing reviews (FAO and WFP). Furthermore, four of the evaluation offices (FAO, ILO, UNICEF, and WFP) have established evaluation committees.

³⁸ALNAP reviews UN organization evaluations on humanitarian assistance programs and comments on their quality.

All Evaluation Offices Are Working toward Fully Establishing Mechanisms to Systematically Follow Up and Report on the Status of Their Recommendations

UNEG Standard

There should be a systematic follow-up on the implementation of the evaluation recommendations that have been accepted by management and/or the governing bodies. (norm 12.2 and standard 3.17:41)

There should be a periodic report on the status of the implementation of the evaluation recommendations. This report should be presented to the governing bodies and/or the head of the organization. (norm 12.3 and standard 3.17:42)

All evaluation offices are working toward fully establishing mechanisms to systematically follow up and report on the implementation status of their recommendations. UNEG requires its evaluation offices to perform a systematic follow-up and prepare a periodic report on the status of the implementation of the evaluation recommendations that have been accepted by the head of the organization or the governing body, or both.

FAO's, ILO's, UNDP's, and WHO's evaluation offices have systems in place to follow up on management's response to their evaluation recommendations. Officials of ILO's evaluation office said that its monitoring of management's implementation of recommendations is overseen by ILO's Evaluation Advisory Committee, which requires ILO management to formally respond every 6 months to the evaluation office's findings and recommendations. UNDP's evaluation office developed its recommendation monitoring system in 2006 and has a systematic follow-up process in place. FAO's program committee³⁹ requires that management respond to the evaluation office's recommendations by indicating which recommendations it will accept or reject, or both, and report on the progress made in implementing the recommendations. The program committee requires FAO's evaluation office to determine whether the report is produced and complies with the standards, according to the chief evaluation officer. WHO has a follow-up process in place, and the frequency of recommendation follow-up depends on the type of the evaluation.

UNICEF's and WFP's evaluation offices have begun to develop evaluation recommendation tracking systems to allow better follow-up on the status of their recommendations. UNICEF's evaluation officials stated that they are in the process of developing such a system because the prior recommendation monitoring processes did not use a consistent structure or guidance. Specifically, the evaluation office had been addressing the status of recommendations through memorandums that are exchanged among divisions or offices involved in action plans.⁴⁰ Like UNICEF, WFP is in the process of developing a follow-up system, which will take into account international good practice, as discussed during UNEG's meetings, to further improve its system.

³⁹This program committee is a committee of the member countries (governing bodies).

⁴⁰In addition, UNICEF's peer review panel reported in May 2006 that management responses have not been systematically required until recently, and that there has been no system for tracking follow-up of recommendations.

All of the evaluation offices provide periodic reporting on the status of their recommendations to agency heads or their governing bodies, or both. The reporting of the status of recommendations would indicate to management and the governing bodies the extent to which actions are being taken to address identified weaknesses in the evaluation programs or projects. ILO's and WFP's evaluation offices report to their governing bodies annually on the implementation status of their recommendations, and WHO reports twice a year to its senior management and governing body. FAO's evaluation office is required to provide a status report on its recommendations to its governing body after 1 to 2 years, depending on the type of evaluation performed. Every 4 months, the head of UNDP's evaluation office provides a report to senior management on the status of the implementation of its recommendations, which includes highlighting recommendations and systemic issues that are not being addressed. UNDP's evaluation office plans to provide a periodic report on the status of its recommendations to its governing body as part of its annual reporting, beginning in 2007. In addition, UNICEF's evaluation office provides a report on the status of its evaluation recommendations to its evaluation committee, which is chaired by its executive director. While UNICEF officials said that UNICEF does not provide periodic reporting covering the specific status of each recommendation to its governing body, it provides information to give the governing body a general understanding of whether the systemic issues the evaluation office raised are being addressed.

Governing Bodies Lack Full Access to Information That Could Provide Greater Insights into UN Organizations' Operations and Identify Critical Systemic Weaknesses

The governing bodies responsible for oversight and accountability of the resources of the six UN organizations that we reviewed lack full access to internal audit reports and most lack direct information from the internal audit offices about the sufficiency of their resources and capacity to conduct their work, which could provide greater insights into the organizations' operations and identify critical systemic weaknesses. In addition, although most of the organizations have audit committees that review internal audit activities and report to the heads of the organizations, only WHO has a committee that is autonomous of senior management and is part of its governing body. To carry out some of their oversight responsibilities, UN governing bodies are provided with the external auditor's report on the organization's financial statements as well as the internal audit office's summary of internal audit activities. However, where the governing bodies do not have full access to internal audit reports, they may lack full information on systemic weaknesses in internal controls; cases of fraud, waste, and mismanagement; senior management's response to audit recommendations; and senior management's plans for taking

correction action. Also, most of the governing bodies lack direct information from the internal audit offices on the sufficiency of the audit offices' staffing and financial resources as well as the audit offices' capacity for conducting effective oversight. In addition, international best practices suggest that oversight could be strengthened by establishing an independent audit committee—composed of members external to the management of the organization and reporting to the governing body on the effectiveness of the audit office and on the adequacy of its resources—as part of the governance structure of each of the United Nations' governing bodies. However, the audit committees at four of the six UN organizations we examined are not in line with these international best practices, and one of the entities does not have an audit committee. Four of the five audit committees are not accountable to their governing bodies, and three of these committees are composed of senior management officials. An audit committee that is composed of external members and accountable to the governing body could also assist it with its responsibility to monitor the organization's oversight function. In the absence of such an audit committee, many of the member state representatives to the governing bodies told us they find such monitoring difficult because they lack sufficient resources and expertise.

Governing Bodies Lack Full Access to Internal Audit Reports

While the governing bodies of the six organizations we examined receive information from various sources about the effectiveness of the organizations' financial and programmatic operations, they do not have full access to internal audit reports, which could increase transparency and provide further insight into the organizations' operations. Currently, the governing bodies receive information on the organizations' operations from various sources, including the external auditor's report on the organization's financial statements, the internal audit office's report summarizing its main findings and activities, and the audit committee's report on the internal audit office's activities. For example, UNICEF's audit office provides an independent annual report to the governing body covering its summary of audit activities, findings, analysis of systemic weaknesses, and issues of internal controls. In September 2006, UNICEF's Executive Board requested that UNICEF's audit office further enhance the level of analysis in its annual report to include management responses to key and recurring issues identified by the audit office, as well as assess and report on the adequacy of resources for the internal audit function, which the audit office will provide in future reporting.

While these existing information sources help the governing body exercise its oversight responsibilities, some member states want access to internal audit reports, which would increase transparency and their awareness of the adequacy and effectiveness of the organization's system of internal controls. For example, a representative stated on behalf of the European Community that the international organizations should work in the spirit of transparency regarding member states' access to internal audit reports. Similarly, in a governing body committee meeting to discuss member states' access to internal audit reports, a U.S. representative stated that although the internal audit office's annual report to the governing body contains useful information, it does not provide enough information to determine whether implemented recommendations significantly improve FAO's operations. Over the past year, another U.S. representative requested specific internal audit reports that would provide more information on the oversight of UNDP's operations in a specific country. The U.S. representatives stated that full access to UNDP audit reports would help them to exercise their oversight responsibilities as members of the governing body.

The UN Secretariat's internal audit office provides member states with access to internal audit reports upon request, and some of the UN organizations we studied are considering making these reports available to member states. In December 2004, the UN General Assembly granted member states access to internal audit reports of the UN Secretariat's internal audit office to increase transparency and accountability at the Secretariat.⁴¹ Previously, the internal audit offices' reports were issued only to the Secretary-General and the heads of the UN organizations under examination. According to a U.S. representative, the practice of providing member states with access to audit reports at the UN Secretariat has helped to provide insight into the operations of the United Nations and identify critical systemic weaknesses. Currently, although WHO's internal audit office does not provide member states with copies of its internal audit reports, the office's policy is to provide a detailed briefing, which may include reading the internal audit report, to member states upon request. Under ILO's financial regulations, the chief internal auditor has the authority to submit any internal audit report to the governing body, if the chief internal auditor deems it necessary to do so. In addition, some of the organizations we studied are considering making internal audit reports available to member states. For example, since May 2006, FAO's governing

⁴¹See G.A. Res. 59/272, U.N. GAOR, 59th Sess., U.N. Doc A/RES/59/272 (2005).

body has been discussing the criteria by which member states may access FAO's internal audit reports. Although WFP's governing body has not formally considered requesting access to audit reports, WFP's chief internal auditor said he would not oppose such a measure if the governing body makes such a decision after considering all of the advantages and disadvantages, including issues of confidentiality and due process, because he believes that member states' access would enhance the organization's transparency. However, some internal audit officials indicated that it may be difficult and time-consuming to modify the current structure of audit reports to delete sensitive material, and that making the reports available to member states would raise issues concerning confidentiality, administrative workloads, and the potential for micromanagement by member states.

Most Governing Bodies Lack Direct Information from the Internal Audit Offices on the Adequacy of the Audit Offices' Resources and Capacity to Conduct Oversight

Most governing bodies of the six UN organizations we examined are not provided with information directly from the internal audit offices on the adequacy of the audit offices' staffing and financial resources; as a result, the governing bodies may be unaware of the audit offices' capacity to conduct effective oversight. WHO's governing body does receive this information through its Program, Budget and Administration Committee. According to international auditing standards, an internal audit office should have sufficient resources to effectively achieve its mandate. However, the internal audit officials must rely on senior management to ensure that they have sufficient resources to conduct their planned audits.

Several UN audit officials stated that they had expressed the need for additional resources to senior management officials who can grant or deny their funding request, depending on the budgetary situation of the organization and senior management's commitment to oversight issues. For example, ILO audit officials stated that over the past several years, they had requested resources to hire an investigator, but until this year, no action had been taken. In March 2007, the governing body approved ILO's 2008-2009 budget request, which sought additional funds for its internal audit office; according to ILO's chief internal auditor, ILO will use the additional oversight resources to employ a qualified and experienced investigator. While the governing bodies approve the organizations' overall budgets, in general they do not see the internal audit office's budget, staff size, and results of resource needs assessments. Therefore, the governing bodies may be unaware of the internal audit offices' requests for additional resources. For example, although UNICEF officials told us that the audit office lacks adequate resources to address high-risk areas and that

UNICEF's audit chief submits an annual report directly to its governing body, the audit chief did not communicate this deficiency to its governing body when it had the opportunity to do so in its June 2006 annual report on its internal audit activities. As a result, the governing body may not be aware of the audit chief's concerns.

Most Audit Committees Are Not Aligned with Best Practices

Although five of the six UN organizations that we examined have established audit committees, the accountability structure and composition of four of these audit committees are not aligned with IIA's best practices.⁴² According to IIA, an independent audit committee is considered critical to help ensure that the organization has strong and effective processes related to independence, internal control, risk management, compliance, ethics, and financial disclosure. Figure 7 depicts the purpose, membership, and responsibilities of an audit committee, according to best practices. Best practices also suggest that the governing body approve the functions and responsibilities of the audit committee. In addition, members of the audit committee should understand accounting principles, financial statements, and internal controls. According to IIA, an audit committee's responsibilities are to review the proposed budgets of the internal oversight offices, make recommendations to the governing body on the level of resources needed for internal oversight, and provide a level of independence from the organization's senior management. Moreover, an independent audit committee provides the governing body with an independent and objective assessment of audits of the organization's financial statements and the internal auditors' performance. Of the six UN organizations, only WHO's PBAC has an audit committee structure that includes many of IIA's best practices.

⁴²All six UN organizations that we studied have adopted IIA's International Standards for the Professional Practice of Internal Auditing.

Figure 7: Audit Committee Purpose, Membership, and Responsibilities According to Best Practices

Best Practice Audit Committee		
<p>Purpose:</p> <ul style="list-style-type: none"> To assist the governing body in its oversight responsibilities To act as an independent safeguard on management 	<p>Membership:</p> <ul style="list-style-type: none"> Independent from the organization With specialized skills in financial reporting, corporate governance, and internal control Selected by the governing body 	<p>Responsibilities:</p> <ul style="list-style-type: none"> Reviewing and approving the internal audit activity's charter Ensuring communication and reporting lines between the chief internal auditor and the audit committee Reviewing internal audit staffing and ensuring that the function has the necessary resources Reviewing and assessing the annual internal audit plan Overseeing the coordination of the internal auditor and the external auditor Reviewing periodic reports on the results of the internal auditor's work Reviewing senior management's responsiveness to internal audit findings and recommendations Monitoring and assessing internal audit effectiveness

Source: GAO analysis of IIA guidance.

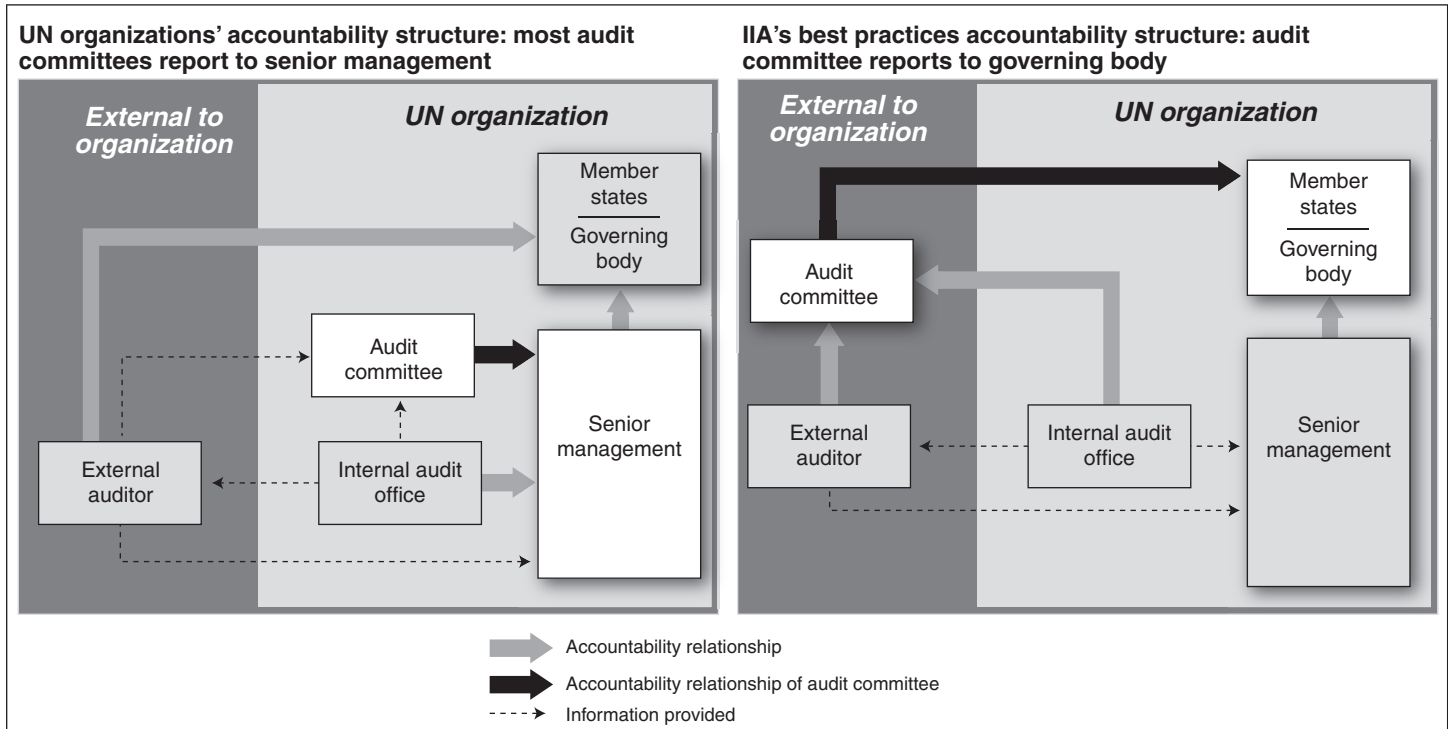
Although five of the six UN organizations that we examined have established audit committees, the accountability structure and composition of four of these audit committees are not aligned with the IIA best practices. Specifically, most audit committees, except for WHO's, are neither independent of senior management nor accountable to the governing body, and most include senior management officials rather than exclusively external financial experts. WHO's PBAC functions as an audit committee and is generally aligned with IIA's best practices.⁴³ The PBAC is composed of 14 of WHO's governing body members and is accountable to WHO's entire governing body.⁴⁴ In addition, WHO's PBAC independently provides information on the effectiveness and capacity of WHO's internal audit office directly to the full governing body. In contrast, according to the audit committee charters of FAO's, UNDP's, UNICEF's, and WFP's, their audit committees are accountable to the heads of their respective organizations and not to their respective governing bodies. In addition, these committees do not independently report on the effectiveness and

⁴³In May 2004, WHO's governing body merged the Administration, Budget and Finance Committee, the Audit Committee, and the Programme Development Committee into a single committee, composed of its members, called the Program, Budget and Administration Committee.

⁴⁴WHO's governing body is composed of 32 members.

capacity of the organization's internal audit office directly to their respective governing bodies, as IIA suggests. Although all four audit committees provide reports summarizing their work to the governing bodies, FAO's, UNICEF's, and WFP's audit committees issue their reports to their respective organization heads who provide a copy to the governing body. In contrast, UNDP's audit committee charter allows the committee to independently submit its annual report to its governing body. Without an independent and knowledgeable audit committee, senior management's opinion could override that of the audit committee. As a result, a governing body would not have the benefit of an audit committee's assistance in ensuring that an organization has implemented effective oversight practices. Figure 8 illustrates the differences between the current practice of the four UN organizations without independent audit committees and IIA's best practice accountability structure for the audit committee, governing body, senior management, external auditor, and internal audit office.

Figure 8: Differences between Current Practice for Most of the UN Organizations and IIA's Best Practice Accountability Structure for Audit Committees



Source: GAO analysis of UN data and IIA guidance.

Most Audit Committees Are Not Accountable to Their Governing Bodies

The audit committees at four of the five organizations that have audit committees are not accountable to their governing bodies, despite IIA's recommendation that the audit committee report regularly to the governing body. As previously stated, WHO's PBAC (audit committee) is composed of members of its governing body, and it is accountable to the governing body. According to their charters, UNDP's and WFP's audit committee chairpersons may present their annual reports to their respective governing bodies. However, UNDP's audit committee was newly reconstituted in 2006 and has not issued its first annual report, so UNDP's governing body has not had the opportunity to request that the audit committee chairperson present it. Although WFP's governing body received the audit committee's first annual report in 2005, the contents of the report were not discussed at WFP's governing body meetings. WFP's audit committee did not release its annual report in 2006, so the chairman has not had the opportunity to present it. Although WFP's audit committee charter specifies that the

chairman shall present an audit committee report annually⁴⁵ to the governing body, the chairman believes there is insufficient interaction between the committee and the governing body. In 2006, WFP's external auditor recommended that the governing body formally acknowledge the role and mandate of the audit committee to reinforce the independence of such a committee and to ensure a closer alignment of WFP's arrangements with best practices in governance. A member of WFP's governing body stated that the governing body has begun discussing what role, if any, the audit committee should have in the organization and what type of relationship it should have with the governing body. The governing body members have not reached consensus on this matter. At FAO and UNICEF, the extent to which the audit committee interacts with the governing body is unclear. The relationship of FAO's audit committee to its governing body is not mentioned in its charter. One FAO governing body representative stated that he was unaware of the activities and composition of FAO's audit committee, and that there was no formal interaction between the audit committee and the governing body. UNICEF's audit committee charter specifies that its audit committee is expected to maintain free and open communication with BOA, the internal audit office, and UNICEF senior management, and that it may consult the head of the governing body only in exceptional circumstances.

Some Audit Committees Are Composed of Senior Management Officials

At three of the UN organizations that we examined, the organizations' senior management officials are members of the audit committees, and the audit committees are not always composed of financial experts. IIA recommends that the audit committee be composed of external members who have expertise in accounting and financial matters. Figure 9 provides information on the current composition and accountability structure of the UN audit committees that we studied. UNDP has an audit committee that is composed entirely of external members who have oversight or financial backgrounds, but it is not accountable to the governing body. WHO's audit committee is composed of 14 of its governing body members, 2 from each of its 6 geographical regions, plus a chairman and a vice-chairman who are ex officio members. UNICEF's, WFP's, and FAO's audit committee charters allow for the inclusion of senior management officials on the committee. Whereas UNDP's, UNICEF's, and WFP's audit committee charters specify that the chairperson shall be a member external to the organization, FAO's

⁴⁵WFP's audit committee charter does not specify whether the report that the governing body receives is the same report submitted to the head of the organization.

audit committee charter specifies that the audit chairperson shall be the Deputy Director General.

Figure 9: Audit Committees at the Six UN Organizations That We Examined

	UNDP	UNICEF	WFP	ILO	WHO	FAO
Audit committee composition and by whom its members are appointed	Composed of 5 external members appointed by the head of the organization.	Composed of 3 external and 3 internal members appointed by the head of the organization.	Composed of 3 external and 2 internal members appointed by the head of the organization.	Currently, there is no audit committee. In March 2007, ILO submitted a proposal to its governing body to consider establishing an independent oversight committee.	Created by member states and composed of 14 members selected from among the governing body. ^a	Composed of 2 external and 5 internal members appointed by the head of the organization.
Committee chairperson	External member of committee designated by the head of the organization.	External member of committee elected by committee members.	External member of committee, appointed by the head of the organization.	Not applicable.	Chairman and Vice-Chairman ex officio selected from among the governing body members.	Deputy Director General.
To whom the audit committee is accountable	Head of the organization.	Head of the organization.	Head of the organization.	Not applicable.	Governing body.	Head of the organization.
Reports issued to its governing body	Committee issues annual report to the governing body. Upon request, chairman shall present the report to the governing body.	Committee issues annual report to the head of the organization, who provides a copy to the governing body.	Committee issues annual report to the head of the organization. Committee also prepares a report that is transmitted through the head of the organization to the governing body.	Not applicable.	Committee issues/presents reports twice per year to the governing body.	Committee issues annual report to the head of the organization, who provides a copy to the governing body's Finance Committee.

Source: GAO analysis of UN data.

^aIn 2004, WHO's Administration, Budget and Finance Committee, the Audit Committee, and the Programme Development Committee merged into a single committee.

Some Organizations Are Considering the Establishment of Audit Committees That Are Aligned with Best Practices

An independent audit committee could assist the governing body in monitoring the organization's oversight functions. In the absence of such an audit committee, many member state representatives said that they find such monitoring to be difficult because they lack sufficient resources and expertise. The majority of the member state representatives are responsible for programmatic and policy issues within several UN organizations, and many said that they consider oversight issues secondary to programmatic issues. In addition, some representatives told us that the

highly technical aspects of auditing make it difficult for them to question or challenge audit practices. As a result, some member states are not actively engaged in monitoring UN oversight organizations due to impediments in the existing governance structure and the lack of resources and expertise. However, an independent audit committee could provide the governing body with an independent assessment of the organizations' financial statements and the internal auditors' performance.

Some organizations have begun discussing whether to establish audit committees that are aligned with IIA best practices. According to WHO, its PBAC, which acts as its audit committee, fulfills most of the requirements of an audit committee. Its audit committee was created by the member states, and it is independent from senior management and is accountable to the governing body. In addition, among other things, PBAC reviews the work plan of the internal audit office and the external auditor; reviews the internal audit staffing and ensures that the function has adequate resources; reviews periodic reports of internal audit, including annual reports summarizing audit findings and progress on implementation of internal and external audit recommendations. However, WHO's chief internal auditor does not have a direct organizational reporting line to the PBAC, but rather reports directly to WHO's Director-General. IIA's guidance provides that the internal auditor should have the organizational independence to allow the audit activity to conduct work without interference by the entity under audit. By reporting organizationally to WHO's Director-General, rather than to the PBAC, the chief internal auditor does not have a level of organizational independence that is consistent with IIA's guidance. The member states of ILO's governing body and its external auditor recommended that ILO establish an audit committee. In response, ILO is currently making progress toward establishing an independent oversight advisory committee that could be in line with best practices and accountable to the governing body and entirely composed of external members, if implemented as proposed. For example, in March 2007, ILO submitted a proposal to its governing body to consider establishing an independent oversight committee, but the governing body has not yet reached consensus on this matter. In addition, FAO's senior management is taking steps to reconstitute its audit committee by 2008 so that the committee is composed entirely of external members; however, the audit committee will still be accountable to the head of the organization, rather than to the governing body, according to a senior FAO official. Moreover, WFP's senior management indicated that it would be open to adopting an external audit committee that conforms to IIA's best practices, and WFP's current audit committee chairman concurred with this view.

Conclusions

The governing bodies of the UN funds and programs and specialized agencies are responsible for providing effective oversight and accountability for the billions of dollars provided annually by member states, including the United States, to support a wide range of activities globally. Since UN organizations are funded with government resources, it is essential that member states have measures in place that provide timely, independent, and comprehensive information on the operational effectiveness and efficiency of their programs. Independent and adequately resourced oversight mechanisms that employ international accountability standards and best practices are an integral part of organizations and can provide the governing bodies with reasonable assurance that the UN organizations' funds are being used as intended. For various reasons, existing internal oversight mechanisms within the six UN organizations that we reviewed had not fully implemented some key components of internationally accepted standards and best practices. This condition hinders them from carrying out some of their oversight responsibilities as defined by the governing bodies of their respective organizations. In addition, because key internal oversight structures, such as audit committees, do not report directly to the governing bodies, the organizations' good governance practices are hampered. Without the insights provided by access to internal audit reports, an independent audit committee, and an internal audit activity with a high level of independence, the governing bodies could face challenges in fully executing their responsibilities of monitoring the effective and efficient use of resources, senior management's actions, and the organization's operations.

Recommendations for Executive Action

To improve oversight in UN organizations, we are making recommendations to the Secretary of State to direct the U.S. Missions to work with member states by taking the following two actions:

- Make internal audit reports available to the governing bodies to provide further insight into the operations of the United Nations' organizations and identify critical systemic weaknesses.
- Establish independent audit committees that are accountable to their governing bodies, where this currently does not occur. Audit committee oversight responsibilities could include the following:
 - ensuring communication and reporting lines between the head of internal audit and the audit committee,

-
- reviewing internal audit staffing and ensuring that the function has the necessary resources,
 - reviewing and assessing the annual internal audit plan,
 - reviewing management’s responsiveness to internal audit findings, and
 - monitoring and assessing internal audit effectiveness.

Agency Comments and Our Evaluation

We requested and received comments on a draft of this report from the Secretary of State and cognizant officials representing the six UN-affiliated agencies that we reviewed—FAO, ILO, UNDP, UNICEF, WFP, and WHO. These comments are reprinted in appendixes II through VIII, along with our responses to specific points. State, FAO, UNDP, WFP, and WHO generally agreed with the findings, conclusions, and recommendations. ILO commented that it has serious reservations about implementing our recommendation to make internal audit reports available to governing bodies. UNICEF expressed concerns about our recommendation to establish independent audit committees that are accountable to their governing bodies. State and the six UN-affiliated agencies submitted technical comments that we have incorporated into this report, as appropriate.

State endorsed the main findings and conclusions of our report. Specifically, State fully agreed that members of the governing bodies should have access to reports and that the establishment of independent audit committees that meet international best practices would strengthen governance. State also noted that our report accurately recognizes that this goal will require the United States to work with other member states to build support. According to State, the United States has established partnerships with several other like-minded member states, and will continue to work with them to build a constituency for strengthening oversight and accountability in the UN system.

FAO stated that our report observations are clear, comprehensive, and well-reasoned. The organization also said that the report’s thrust toward instituting further best practices is considered timely and consistent with the approach that FAO has been observing in recent years. In addition, regarding the recommendation on the sharing of internal audit reports, FAO said that this matter is currently under consideration by both the FAO

governing bodies and by the Chief Executives' Board for Coordination of the UN system. Furthermore, regarding our recommendation on establishing an independent audit committee that is accountable to these entities' governing bodies, FAO stated that from 2008 onwards, the FAO audit committee will be composed solely of external members who will act in an advisory capacity to the FAO Director-General.

UNDP stated that it has taken note of the recommendations put forth in the report. Also, UNDP stated that it is reviewing these recommendations, and that these will be part of the interaction with the Executive Board during June 2007.

WFP stated that the report is a useful contribution to the ongoing debate on enhancing oversight and accountability in the UN system. Specifically, WFP noted that the substance of our recommendations is currently being debated in many forums throughout the UN system. In addition, WFP noted that its Executive Board and its bureau have been engaged in considering issues related to the composition and reporting lines of the audit committee.

WHO commented that it is engaged with other organizations in the UN system in addressing the issue of access to internal audit reports. The organization noted that while it supports the concept of transparency, there is a need to balance the sharing of information against the need to protect privileged information and the rights of staff members. In addition, WHO noted that its PBAC already fulfills most of the requirements that we advocate, such as independence from senior management and accountability to the governing body. Upon receipt of WHO's technical comments, our report was updated to reflect that WHO has a PBAC that operates similarly to an audit committee. Furthermore, WHO stated that IIA's best practice accountability structure illustrated in our report would effectively create a second external auditor, which would not be a workable solution. We disagree that the IIA guidance would create an external auditor and leave the Director-General without an internal audit function. Specifically, IIA guidance on the key elements of an effective public sector audit activity, which would apply to the internal audit activity at WHO, provides that at a minimum, the audit activity needs to have organizational independence that allows audit work that is without interference by the entity under audit and is seen to be independent as well. The IIA guidance states that this organizational independence contributes to the accuracy of the auditors' work and the ability to rely on the audit results. By having the WHO internal audit activity report organizationally to

the PBAC, which serves as the audit committee for WHO's governing body, the independence of internal audits of the Director-General's programs and responsibilities would be enhanced significantly. In addition, the Director-General would continue to have an internal audit function, but it would be reporting organizationally to the PBAC of the governing body.

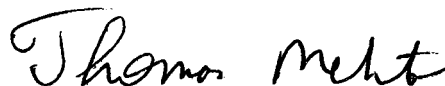
ILO noted that our report did not sufficiently reflect actions taken by ILO to address issues highlighted regarding inadequacy of audit staffing levels; lack of an organizationwide risk-management framework; and lack of access to internal audit reports and other information by the governing body, audit staff financial disclosure, and an audit committee. Our report was updated after receipt of ILO's technical comments to reflect information provided by the organization regarding several of these issues, including adequacy of resources, financial disclosure, and the proposal submitted by the Director-General to ILO's governing body calling for the creation of an independent audit committee. In addition, ILO stated that the report does not reflect the process that ILO has in place concerning the provision of access to information. We updated our report to reflect information provided in ILO's technical comments about this process. Furthermore, ILO commented that it has serious reservations about implementing the recommendation regarding making internal audit reports available to governing bodies. We maintain that providing the governing body with access to all internal audit reports will provide the governing body greater insight into the organization's operations and highlight systemic weaknesses in internal controls.

UNICEF noted that many of the issues raised in our report are for consideration by the UNICEF Executive Board, and UNICEF recognizes the importance of ensuring that any discussion of such issues takes place within the jurisdiction of the UNICEF Executive Board. Regarding the recommendation of making internal audit reports available to the governing body and audit committee, UNICEF stated that its Executive Board has requested that UNICEF further enhance the level of analysis in the publicly available annual report of UNICEF's Office of Internal Audit; include management responses to the key and recurring issues identified by the Office of Internal Audit; and assess and report on the resources required for the internal audit function. In addition, UNICEF noted that any proposal to reorder the governance mechanisms so as to align them with a particular understanding of the IIA standards would be a matter for the UNICEF Executive Board (among other institutions). We recognize that decisions regarding changes in UNICEF's lines of reporting to allow UNICEF's governing body access to all audit reports, as well as the creation

of an independent audit committee to be in line with international best practices, will require the consideration and approval of UNICEF's Executive Board. We also maintain that the United States, as a member of UNICEF's governing body, should work with other member states to consider and implement these recommendations.

We are sending copies of this report to interested congressional committees, the Secretary of State, and the U.S. Permanent Representative to the United Nations. We will also make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staffs have any questions about this report, please contact me at (202) 512-9601 or melitot@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs can be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix IX.



Thomas Melito
Director, International Affairs and Trade

Scope and Methodology

Our objectives were to examine the extent to which (1) internal audit offices have implemented professional standards for performing audits and investigation, (2) evaluation offices have implemented United Nations (UN) evaluation standards and norms, and (3) governing bodies are provided with information about the results of UN oversight practices. For our review, we selected 6 UN organizations from among the 10 funds and programs and 15 specialized agencies that comprise the universe of all UN funds and programs and specialized agencies. On the basis of their budgets for biennium 2004-2005, we selected the 3 largest funds and programs and 3 of the largest specialized agencies.¹ Therefore, our results cannot be generalized to the full universe of all funds and programs and specialized agencies and may not represent the practices of the smaller UN organizations. The funds and programs we selected include the United Nations Development Program (UNDP), the United Nations Children's Fund (UNICEF), and the World Food Program (WFP). The specialized agencies we selected include the Food and Agriculture Organization (FAO), the International Labor Organization (ILO), and the World Health Organization (WHO).

To examine the extent to which the six organizations' internal audit offices have implemented professional standards for performing audits, we reviewed relevant standards issued by the Institute for Internal Auditors (IIA), which is recognized as the internal audit profession's leader in certification, education, research, and technological guidance. IIA provides comprehensive guidance for the profession through its Professional Practice Framework, including the *International Standards for the Professional Practice of Internal Auditing*, which outlines the tenets of the internal audit profession and *The Role of Auditing in Public Sector Governance*, which provides guidance to all levels of government. The six UN organizations that we examined have adopted the IIA standards. To conduct our review, we selected key audit standards that were based on previous GAO work.² Specifically, we (1) selected standards relating to risk-management framework, risk-based audit work plans, resource management, quality assurance, recommendation monitoring, and ethics practices and (2) assessed the extent to which these six organizations'

¹Total 2004-2005 biennium budgets (in billions of US dollars) for the following UN organizations include regular and extrabudgetary resources: UNDP, \$7.13; WFP, \$5.99; UNICEF, \$4.87; WHO, \$3.98; FAO, \$1.34; and ILO, \$0.90.

²GAO, *United Nations: Funding Arrangements Impede Independence of Internal Auditors*, GAO-06-575 (Washington, D.C.: Apr. 25, 2006).

practices were consistent with these standards. We examined documents from the six organizations, including reports prepared by the organizations' external auditors, external peer reviewers, and audit committees, as well as reports prepared by the chief audit executives for senior management and governing bodies. In addition, we conducted interviews with various officials, including officials of the internal audit offices, finance division, audit committees, legal offices, and external auditors. We did not perform independent assessments of the organizations' audit functions. Our reviews were limited to reviews of documents and interviews with the various officials. For example, to assess whether the internal audit offices had sufficient resources to conduct their risk-based work plan, we based our findings on interviews with the organizations' audit officials and their external auditors' assessment of the adequacy of the organizations' audit coverage.

Regarding investigations, the six UN organizations we examined have adopted the UN Uniform Guidelines for Investigations, which are intended to be used as guidance in the conduct of investigations in conjunction with each organization's rules and regulations. In particular, we focused on the guideline that states that the planning and conduct of the investigation should reasonably ensure that resources devoted to investigations are proportionate to the allegation because having resources for investigations is fundamental to probe allegations of wrongdoing. To assess the extent to which investigative resources were sufficient, we examined documents from the six organizations, including reports prepared by the organizations' external auditors, annual reports of the oversight unit chiefs to the head of the organization, and the audit committees' reports, where applicable. In addition, we conducted interviews with various officials, including external auditors, internal auditors, and investigators, where applicable. We did not perform independent assessments of the organizations' investigative functions. To assess the organizations' efforts to adopt financial disclosure and whistleblower policies, we examined their policies and procedures and spoke with relevant officials, including officials from the organizations' human resources, legal, and oversight units. All UN employees are subject to standards for ethical conduct established by the International Civil Service Board. In addition, each oversight function—audit, investigations, and evaluations—is guided by its respective professional standards. IIA has developed standards to guide the ethical conduct of auditors. The UN Uniform Guidelines for Investigations applies specifically to investigators. The UN Evaluation Group is currently drafting its own set of ethical guidelines for UN evaluation staff. The International Civil Service Board, IIA, and the UN Uniform Guidelines for Investigations all address the need

for staff to avoid conflicts of interest and disclose any such impairments. The UN Uniform Guidelines for Investigations recommends the practice of protecting the identities of those who make complaints to the investigative office.

To examine the extent to which the six organizations' evaluation offices have implemented UN evaluation norms and standards, we reviewed the relevant standards and norms issued by the UN Evaluation Group (UNEG). UNEG adopted these norms and standards in 2005 in an attempt to professionalize the evaluation function and provide guidance to evaluation offices in preparing their evaluation policies or other aspects of their operations. Norms are the guiding principles for evaluating the results achieved by the UN system, the performance of the organizations, the governance of the evaluation function within each organization of the UN system, and the value-added use of the evaluation function. A set of standards complementing these norms has been drawn from the best practices of UNEG members, Organization of Economic Cooperation and Development (OECD)/Development Assistance Committee evaluation principles, national standards of OECD countries, evaluation policies of the international financial institutions, evaluation policies of the European Union, standards of evaluation associations, and evaluation guidance developed by the Active Learning Network for Accountability and Performance in Humanitarian Action. These standards are intended to guide the establishment of the institutional framework, management of the evaluation function, and conduct and use of evaluations. UNEG conducted a baseline assessment of its evaluation office members in 2005; however, we could not obtain access to this information. Only UNDP's and UNICEF's evaluation offices have had external assessments performed on the basis of these standards and norms.³ To conduct our review, we selected standards and norms relating to ensuring the adequacy of financial and human resources, competency of staff, quality assurances processes, and recommendations follow-up. To the extent possible, we based our review on those standards and norms that matched key audit standards. Although we did not assess the quality of evaluations conducted, we did examine whether processes to help ensure quality were in place. Time and resource constraints limited our ability to evaluate organizations' implementation of the other UNEG standards and norms. We examined documents from the

³For the UNDP peer review, the reviewers assessed the evaluation functions on the basis of the norms, and for UNICEF, the peer reviewers used primarily the norms. UNDP's peer review was completed in December 2005, and UNICEF's was completed in May 2006.

six organizations, including reports prepared by the organizations' evaluation offices and external peer reviewers, and annual reports of the evaluation offices. In addition, we conducted interviews with various officials of the evaluation offices. We did not perform independent assessments of the organizations' evaluation function.

To assess the organizations' efforts to implement professional standards, guidelines, and norms for audit, ethics, and evaluations, and to assess the sufficiency of the organizations' investigative resources, we developed the following scale:

1. Generally implemented: Evidence of a series of actions that indicate the standards, norms, or guidelines are generally or mostly implemented.
2. Partially implemented: Evidence of some actions taken toward implementation.
3. Not implemented: Evidence that no steps have been taken to implement the standards, norms, or guidelines.
4. Not clear: Insufficient or conflicting information regarding status in implementing the standards, norms, or guidelines.

Three GAO staff used this scale to assess the organizations' performance and sufficiency of their resources independently of each other. These staff then met to reconcile any differences in their initial assessments.

To examine the extent to which governing bodies are provided information about the results of UN oversight practices, we reviewed documents from the six organizations, including reports prepared by the organizations' external auditors, the oversight unit chiefs, the governing bodies, and the audit committees, where applicable. We also examined the charters of the audit offices and the audit committees, where applicable. In addition, we reviewed relevant guidance regarding audit committees issued by IIA. Furthermore, we conducted interviews with various officials, including internal audit officials, external auditors, and members of the audit committees, where applicable. We also interviewed selected representatives from UN member states, including representatives from the U.S. UN missions in Geneva, Rome, and New York and U.S. representatives to the governing bodies of the UN organizations we

examined. In Geneva, we spoke with members of the Geneva Group,⁴ including representatives from the United Kingdom, Canada, the Netherlands, Australia, and Germany. In Rome, we spoke with additional members of the Geneva Group, including representatives from the United Kingdom, Spain, Canada, Sweden, South Korea, Germany, Switzerland, Finland, Italy, France, Russia, New Zealand, Japan, and the Netherlands. In addition, we met with representatives of the Group of 77⁵ from Zimbabwe, Madagascar, Iraq, Dominican Republic, Bangladesh, Brazil, Cameroon, China, Egypt, Kuwait, Nicaragua, Peru, the Philippines, Sri Lanka, and Thailand. In New York, we spoke with mission representatives to the UN from Belgium, Australia, the United Kingdom, Canada, Japan, and Pakistan.

Furthermore, to address our objectives, we spoke with senior officials from the Departments of State (State) and Labor in Washington, D.C., and senior officials from State, Labor, Health and Human Services, and the U.S. Agency for International Development at the U.S. Missions to the United Nations in Geneva, Rome, and New York. At these locations, we met with management and staff responsible for governance and oversight at FAO, ILO, UNDP, UNICEF, WFP, and WHO. In addition, for information on the budget and staff resources of these six organizations, we used fiscal biennium 2006-2007 data provided by these organizations. We determined that these data were sufficiently reliable for the purposes of this report.

We conducted our work from June 2006 through March 2007 in accordance with generally accepted government auditing standards.

⁴The Geneva Group consists of the 14 largest donor countries on the basis of their contributions.

⁵The Group of 77 is a coalition of developing countries that promotes its members' collective interests. Currently, 131 developing countries are members of the G-77.

Comments from the Department of State



United States Department of State

*Assistant Secretary for Resource Management
and Chief Financial Officer*

Washington, D.C. 20520

MAY 17 2007

Ms. Jacquelyn Williams-Bridgers
Managing Director
International Affairs and Trade
Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548-0001

Dear Ms. Williams-Bridgers:

We appreciate the opportunity to review your draft report, "UNITED NATIONS: Oversight and Accountability Could Be Strengthened by Further Instituting International Best Practices," GAO Job Code 320442.

The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

If you have any questions concerning this response, please contact Matthew Glockner, Program Analyst, Bureau of International Organization Affairs, at (202) 647-6413.

Sincerely,

A handwritten signature in black ink, appearing to read "Bradford R. Higgins".

Bradford R. Higgins

cc: GAO – Tom Melito
IO – Kristen Silverberg
State/OIG – Mark Duda

Department of State Comments on GAO Draft Report
UNITED NATIONS: Oversight and Accountability Could Be Strengthened
by Further Instituting International Best Practices
(GAO-07-597, GAO Code 320442)

Thank you for the opportunity to comment on your draft report entitled UNITED NATIONS: Oversight and Accountability Could Be Strengthened by Further Instituting International Best Practices. The Department of State has long been a strong supporter of oversight and accountability in the UN system and welcomes the GAO report on this subject. The report provides timely information on several aspects of the internal oversight functions at the World Health Organization (WHO), International Labor Organization (ILO), Food and Agriculture Organization (FAO), United Nations Development Program (UNDP), United Nations Children's Fund (UNICEF), and World Food Program (WFP). A previous GAO report (GAO-06-575) examined the UN Office of Internal Oversight Services (OIOS). This subsequent review provides a fuller understanding of how internal oversight is conducted in the broader UN system.

The Department of State endorses the main findings and conclusions of the GAO report. We appreciate that the GAO examined the extent to which the internal oversight functions of WHO, ILO, FAO, UNDP, UNICEF, and WFP comply with key aspects of the professional standards of the Institute of Internal Auditors (IIA), the United Nations Uniform Guidelines for Investigations, and the Standards and Norms of the United Nations Evaluation Group (UNEG). We fully agree that members of Governing Bodies should have access to reports and that the establishment of independent audit committees that meet international best practices would strengthen governance. In this respect, we agree that audit committees should be accountable to their respective Governing Bodies and not to senior management. The practice of making reports available upon request is necessary for Member States to exercise their fiduciary responsibilities more effectively and has helped provide insight into critical systemic weaknesses at the UN. The Department of State has sought to obtain the agreement of the Funds and Programs and Specialized Agencies to release internal audits and other oversight reports. Through our efforts at individual UN entities and with the assistance of the UN Secretary-General, we are making progress within the entire UN system towards this goal.

The GAO makes several observations concerning the resources needed to carry out internal oversight and notes that some offices lack adequate resources. The Department of State was indeed deeply concerned when UNDP's Office of

Audit and Performance Review did not have sufficient resources in the third quarter of 2006 to perform its planned activities, and we expressed our concern with the UNDP Administrator. Although UNDP later provided \$1.4 million in additional resources, the situation highlights the critical importance of ensuring that sufficient resources are provided for internal oversight. The Department of State has been seeking to establish independent oversight committees system-wide that meet international best practices. We believe that the ability of the internal oversight functions to submit their budget requests to their respective Governing Bodies through an independent committee will help alleviate this problem and will also assist in increasing the operational independence of those oversight bodies, most of which report and are accountable to the Executive Head.

Furthermore, we believe that the committee's mandate should encompass the full range of oversight activities, and we have been calling for Member States to grant oversight committees authority to assess the budgets, plans, and operations of the audit functions, as well as investigations and evaluations. In this respect, the Department of State concurs with the GAO's findings and concerns regarding the failure of most of the entities to utilize professional investigators and the lack of sufficient resources to manage and conduct evaluations. We believe that a mandate that includes responsibility for investigations and evaluations will help address these issues.

The GAO also observes that the UN entities that were the subject of this review have yet to complete organization-wide risk assessments. The GAO correctly recognizes that senior management, with the assistance of the internal audit function, is responsible for establishing the risk management framework. We fully concur with GAO that risk management not only enables the internal audit function to plan more effectively, but also helps the organization to develop a plan for identifying and decreasing its vulnerability to threats that could negatively impact its resources and reputation.

The Department of State agrees with GAO's finding that enhanced ethics policies could strengthen oversight and that more could be done with respect to financial disclosure programs and whistleblower protections. The Department of State agrees with GAO's finding related to financial disclosures that internal oversight professionals should be required to disclose their financial interests. Although we are unaware of any specific cases of impairments to the independence of oversight staff, we believe that financial disclosure statements are essential to ensuring the integrity of the internal oversight function by helping to identify conflicts of interest in fact or perception. We have called upon UN entities to

require financial disclosures for all oversight professionals, as well as for staff with fiduciary responsibilities. Furthermore, the Department of State believes that an annual attestation of independence, in addition to a financial disclosure, would further enhance the perception of objectivity and credibility of the oversight function. We recognize that the IIA's International Standards for the Professional Practice of Internal Auditing do not require audit professionals to make either a financial disclosure or an attestation of independence, and the United States may face resistance in seeking a more rigorous approach. Furthermore, we recognize that the UN requirement for financial disclosure statements relates only to the UN Secretariat and covers the staff of OIOS. Other UN entities are launching similar initiatives, and we will seek to ensure that these programs also cover their respective oversight professionals.

As the GAO report illustrates, oversight is important to ensuring the credibility and reputation of UN entities. Strengthening internal oversight is part of the U.S. government's overall objective of promoting sound management in the UN system. The report accurately recognizes that this goal will require the United States to work with other Member States to build support. The United States has established several partnerships with other like-minded Member States, and we will continue to work with these nations to build a constituency for strengthening oversight and accountability in the UN system.

Comments from the Food and Agriculture Organization



联合国
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农业组织

FOOD AND
AGRICULTURE
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OF THE
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ORGANISATION
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ORGANIZACION
DE LAS NACIONES
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LA AGRICULTURA
Y LA ALIMENTACION

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للأمم
المتحدة

Viale delle Terme di Caracalla, 00153 Rome, Italy

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Our Ref.:

Your Ref.:

Rome, 9 May 2007

Dear Sir/Madam,

FAO's response to the GAO report on UN Oversight

We wish to thank the GAO for giving FAO the opportunity to review the above report and to provide its comments and clarification.

Please find FAO's comments on the observations made in the report attached as an Annex.

Yours sincerely,

for
A. Lo Faso
Inspector General
AUD

J. Markie
Chief, Evaluation Service
PBEE

U.S. Government Accountability Office
441 G Street, Room 4G46
Washington, DC 20548

- 2 -

APPENDIX IV: Comments from FAO

Audit and Investigation

We have carefully studied the report and welcome the various comments and observations contained therein. They are clear, comprehensive and well reasoned. The detailed comparative information provided on the oversight function in the various agencies is also helpful and interesting. The report's thrust towards instituting further best practices is considered timely and consistent with the approach that FAO has been observing in recent years.

We note that the report essentially proposes two main areas for consideration:

- making internal audit reports available to the governing bodies
- establishing independent audit committees

We would mention that similar proposals have been discussed at various fora in the past by the Organization's governing bodies. Therefore, in that sense, FAO is familiar with these proposals. However, as you probably well know, in the context of the UN, matters such as these would require to be studied further by FAO management in consultation with, and involvement of, its governing bodies before a considered decision can be taken to determine the best and most beneficial course of action for the Organization. Accordingly, these matters will be taken up as appropriate, within the established mechanisms and deliberations of the Organization. The sharing of internal audit reports with the governing bodies was discussed by the FAO Finance Committee in 2006. This matter is currently under consideration by both the FAO governing bodies and by the Chief Executives' Board for Coordination of the UN system. In addition, from 2008 onwards, the FAO audit committee will be composed solely of external members, who will act in an advisory capacity to the FAO Director General.

The comments and recommendations on the work practices of the audit function have been noted. The FAO internal audit and investigation function is committed to fully comply with International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors, USA (IIA) and with best work practices. In fact, with this in mind, considerable progress has been made in recent years to upgrade work practices, enhance audit techniques and methodologies, and improve staff standards and training to achieve this stated goal. FAO is satisfied with the progress made to date, and continues to strive for improvements to ensure general compliance with these auditing standards.

In addition, as suggested in the report, action has already been taken to more clearly define and segregate the audit and investigation functions, and to have them staffed by appropriately qualified personnel.

With regard to financial disclosure requirements for oversight staff, the Committee on Constitutional and Legal Matters (CCLM) has recently addressed the issue and agreed to allow FAO to progressively implement a system of financial disclosure for senior staff and staff in sensitive areas. In addition, it has recommended to the Council modification of FAO's Staff Regulations in this regard.

Appendix III
Comments from the Food and Agriculture
Organization

- 3 -

Evaluation

FAO found the report helpful, with respect to the comparative review of the evaluation function in UN organizations. As noted in the report, as part of the Independent External Evaluation of FAO (IEE) which will be completed in September 2007 an in-depth assessment has been made of the evaluation function. This is expected to result in significant recommendations for change and these recommendations which will be considered by the FAO member countries in the Governing Bodies and by the FAO management later this year. The Emerging Issues paper published by the IEE in April this year states "The IEE has separately evaluated the evaluation function in the Organization and has found that it provides a strong base which can be further enhanced. Recommendations will be made on the evaluation system and on RBM."

Comments from the World Food Program

Note: GAO comment supplementing those in the report text appear at the end of this appendix.



World
Food
Programme

Programa
Mundial de
Alimentos

Programme
Alimentaire
Mondial

برنامج
الأغذية
العالمي



The
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07 May 2007

Mr. Thomas Melito
Director, International Affairs and Trade
United States Government Accountability Office
Washington, DC 20548
U.S.A.

Dear Mr. Melito,

Thank you for sharing with us a draft copy of the GAO report entitled "United Nations: Oversight and Accountability Could Be Strengthened by Further Instituting International Best Practices". We found the report interesting and a useful contribution to the ongoing debate on enhancing oversight and accountability in the United Nations system entities.

WFP has strived to consistently strengthen its governance and oversight practices to bring them in line with international best practices. In 2003, we presented a paper to our Executive Board, highlighting the current best practices in oversight mechanisms in the public and the private sector and following the guidance received from the Board initiated steps to enhance corporate governance. Resultantly, Enterprise Risk Management was introduced with a Board approved policy and is now being embedded in the normal processes of WFP, the Audit Committee was strengthened by including majority external and independent members with external chair, and a request was made for appropriate change in staff rules and regulations to oblige key staff to undertake periodic conflict of interest and financial disclosure. You may also note that WFP strives to be IPSAS compliant by 2008.

WFP is quite conscious of the quality and adequacy of its internal oversight services. Our internal audit function was reviewed by the Institute of Internal Auditors in 2006 and found to 'generally conform'—highest rating--- to the Standards. Both the evaluation function and the investigation and inspection function will be peer reviewed in 2007. We remain committed to providing adequate resources to our oversight services to enable them to do their job.

We have noted the two high level recommendations contained in the report. As you may be aware, the substance of these recommendations is currently being debated in many forums throughout the UN system. Our Executive Board and its Bureau has been engaged in considering issues related to the composition and reporting lines of the audit committee. It has noted the recommendations emanating from the JIU report entitled "Oversight Lacunae in the United Nations System" and has desired to consider these together with recommendations emanating from the "Comprehensive review of Governance and Oversight within the United Nations, Funds, Programmes

See comment 1.

Appendix IV
Comments from the World Food Program

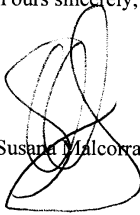
WFP

2

and Specialized Agencies” later in the year. We look forward to receiving guidance from our governing body on these two and other governance related issues.

Please accept our appreciation for the work done by the GAO team involved in this review. We look forward to receiving the final report reflecting as appropriate our technical comments provided to you by a separate letter.

Yours sincerely,



Susana Malcorra

The following is GAO's comment on the World Food Program's letter dated May 7, 2007.

GAO Comment

1. WFP noted that a request was made for an appropriate change in staff rules and regulations to oblige key staff to undertake periodic conflict of interest and final disclosure. While we agree that this is a critical step toward fully implementing a sound ethics policy, we noted in this report that all staff conducting audits, investigations, and evaluations should be included as those defined as "key staff."

Comments from the World Health Organization

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



World Health Organization

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In reply please refer to: IOS/EC

Your reference:

Mr Thomas Melito
Director, International Affairs and Trade
United States Government Accountability
Office
Washington, D.C. 20548
Etats-Unis d'Amérique

8 May 2007

Dear Mr Melito,

Thank you for the opportunity to comment on the draft report entitled "United Nations: Oversight and Accountability Could Be Strengthened by Further Instituting International Best Practices" (GAO-07-597). I welcome the analysis performed in the report and would like to comment on some of the issues raised.

We share your view concerning the need for an effective risk management framework. In this connection, our internal oversight office has recommended recently to WHO's administrative officials measures to improve risk management and proposed a model implementation plan.

Although we agree with your focus on the issue of investigative staff, we believe that handling wrongdoing is broader and more complicated than simply recruiting additional investigators. In the past year, WHO has realized considerable progress in the area of institutional integrity through the publication of a strong whistleblower protection policy, an investigation procedures manual, a proposed code of conduct, and clear assignment of roles and responsibilities between legal, human resources and internal oversight with respect to handling of wrongdoing. The work continues and adequate staffing will remain a priority, both for investigation and other needed disciplines.

WHO is engaged with other organizations in the UN System to address the issue of access to internal audit reports. We certainly support the concept of transparency but at the same time, this must be balanced against the need for protecting privileged information and the rights of staff members.

...

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Appendix V
Comments from the World Health
Organization

Mr Thomas Melito, GAO

Page 2
8 May 2007

See comment 1.

In reviewing the report, I note a lack of recognition of our efforts at increasing transparency during the past several years. At WHO, the report of the internal auditor presented to the Health Assembly includes results from the audits undertaken, not just a summary of the Office's activity. The report also includes, to the extent possible, information on misconduct cases. Although seldom requested, WHO has an announced policy of providing confidential but detailed briefings on internal audit reports to any Member State, which could include a reading of the audit report. I would also mention that our financial rules permit the head of internal audit to release any internal audit report to the Executive Board.

There is also a need to recognize the risks and consequences with respect to public disclosure of internal audit reports. The operational efficiency and effectiveness of the internal audit process can be reduced by changing its products from internal to external in nature. It further risks creating a confrontational situation where the impetus shifts to defending positions rather than improving process and results.

See comment 2.

Finally, with respect to the discussion on audit committees, I would like to point out the role of WHO's Programme Budget and Administration Committee (PBAC). Although the term "audit committee" is not used, the PBAC already fulfills most of the requirements which GAO advocates such as independence from senior management and accountability to the governing body. It is in fact a committee of the Executive Board, created by Member States.

The PBAC serves as an important governance mechanism for our internal oversight office. It reviews the plan of work of WHO's internal auditor in January each year when such issues as staffing and adequacy of resources are discussed. It then examines the internal auditor's annual report to the Health Assembly when the results of audits and management's implementation of recommendations are considered.

See comment 3.

The nature and governance of an intergovernmental body contrasted to domestic private sector enterprises needs to be taken into account in considering "international best practice". The internal audit reporting structure suggested in Figure 7 of the report effectively creates a second external auditor, yet WHO Financial Regulations require the Director-General to maintain an internal audit function. The separation of authority from responsibility would not be a workable solution.

We have furnished our technical comments under separate cover.

Yours sincerely,



Dr Bill Kean
Executive Director
Office of the Director-General

The following are GAO's comments on the World Health Organization's letter dated May 8, 2007.

GAO Comments

1. WHO commented that our report lacks recognition of its key efforts to increase transparency during the past several years. We updated the text of our report to include additional information on what is and can be provided by the internal auditor to the Health Assembly and member states.
2. WHO commented that its Program, Budget and Administration Committee (PBAC) operates similarly to an independent audit committee and already fulfills most of the requirements that we advocate, such as independence from senior management and accountability to the governing body. We updated the text of this report to include this information.
3. WHO stated that the IIA's best practice accountability structure illustrated in our report would effectively create a second external auditor, which would not be a workable solution. We disagree that the IIA guidance would create an external auditor and leave the Director-General without an internal audit function. The guidance focuses on the reporting relationship needed to achieve organizational independence for the internal audit function. Specifically, IIA guidance on the key elements of an effective public sector audit activity, which would apply to the internal audit activity at WHO, provides that at a minimum, the audit activity needs to have organizational independence that allows audit work that is without interference by the entity under audit and is seen to be independent as well. The IIA guidance states that this organizational independence contributes to the accuracy of the auditors' work and the ability to rely on the audit results. By having the WHO internal audit activity report organizationally to the PBAC, which serves as the audit committee for WHO's governing body, the independence of internal audits of the Director-General's programs and responsibilities would be enhanced significantly. In addition, the Director-General would continue to have an internal audit function, but it would be reporting organizationally to the PBAC of the governing body.

Comments from the International Labor Organization

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



INTERNATIONAL LABOUR OFFICE
GENEVA

Patricia O'DONOVAN

Executive Director
Management and Administration

11 May 2007

Dear Ms. Merritt,

The ILO appreciates the opportunity to provide comments on the GAO Report entitled "United Nations: Oversight and Accountability Could Be Strengthened by Further Instituting International Best Practices" (GAO-07-597). The Office values the comments and observations of external agencies like the GAO on its internal audit arrangements. In participating in this review, the Office endeavoured to respond fully to all requests for information including the provision of all documents requested as well as arranging consultations and meetings with all relevant staff.

In relation to the ILO, the report highlights issues regarding inadequacy of audit staffing levels (particularly with regard to qualified IT auditors and investigators), lack of an organization wide system of risk management, lack of access to internal audit reports and other information by the Governing Body, audit staff financial disclosure, and an audit committee. In the view of the Office, the report does not sufficiently reflect action taken by the ILO to address many of these concerns.

The report refers to an overall lack of a requirement for financial disclosure. As the GAO review does not go beyond March 2007, I would like to take this opportunity to provide an update on this matter. In April 2007, the ILO introduced a register of financial interests for all senior staff (graded at D1 level and above) and other designated officials – including all PROCUREMENT officials. All officials covered by this are required to make an annual financial disclosure identifying potential conflicts of interests and any supplements or gifts received.

Ms. Zina Merritt
Assistant Director
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See comment 1.

See comment 2.

**Appendix VI
Comments from the International Labor
Organization**

2

See comment 3.

The report gives a fair picture of the evaluation function in ILO including follow up on implementation of evaluation recommendations, and implementation of UN evaluation standards (UNEG). The GAO report also notes the current ILO effort to improve the quality of evaluations as well as the quality of evaluators, and to strengthen the internal capacity to manage evaluation processes. However, the Office does not agree with the use made in the report of the findings from the quality assessment exercise that was reported in the Annual Evaluation Report submitted to the Governing Body in November 2006. It appears that these results are being used against the Office. As a matter of ethics and good practice in evaluation, a self-evaluation report should never be held against its author.

See comment 4.

In relation to the GAO's recommendation to make internal audit reports available to governing bodies, the Office has serious reservations about implementing this recommendation for the following reasons:

- Internal audit is by its very definition "internal."
- It is a tool of management to support the Director-General and the senior management in the exercise of their management functions.
- In the ILO, the rules authorize the CIA to bring individual audit reports directly to the Governing Body. The ILO considers that this provision addresses the main issue of concern raised by the GAO as it provides for direct reporting to the Governing Body on any matter that the CIA considers merits direct reporting.
- The ILO Governing Body is provided with an annual summary of the IAO's work, including the main findings of internal audit reports.
- Copies of all internal audit reports are shared with the External Auditors.
- Where they consider it necessary and appropriate, the External Auditors follow up on internal audit work and can report on it to the Governing Body.
- It is important to maintain the different reporting lines between Internal Audit and External Audit – otherwise it could lead to duplication, confusion and overlap in their respective roles and functions.
- The ILO shares the general concern expressed by audit practitioners that external reporting of internal audits could result in internal audit reports being interpreted out of context or being "watered down" and therefore lessen their effectiveness and value as a management tool.
- External auditors and the Institute of Internal Auditors advise caution in the release of internal audit reports to parties external to management.

See comment 5.

In relation to the GAO recommendation on the establishment of independent audit committees that are accountable to their governing bodies, I would like to draw attention to the fact that the proposed Terms of Reference for an Independent Oversight Advisory Committee submitted by the Director-General of the ILO to the Governing Body in March 2007, as well as reflecting best practice as identified by the GAO, also incorporate essential features as recommended by the Joint Inspection Unit and those adopted by the United Nations General Assembly.

**Appendix VI
Comments from the International Labor
Organization**

3

See comment 6.

Finally, on a general and very important point, the report makes no reference to the tripartite governance structure of the ILO, apart from Figure 1 that describes the governance structure of the different agencies. This is a serious omission in the report. The unique tripartite governance structure of the ILO has to be taken into consideration when reviewing oversight and accountability in the ILO. It is not just a nominal structural feature. The participation of workers' and employers' organizations, alongside governments, in the governance of the ILO has a real and tangible impact on its governance. Unlike the other agencies covered in this review, this tripartite participation builds into ILO governance much greater transparency and accountability and this value-added should be acknowledged in this review.

In conclusion, on behalf of the ILO, I wish to express our appreciation to the GAO team for this report. As the ILO continues to review its oversight and accountability arrangements, it will give full consideration to the observations and recommendations contained in this report.

With kind regards,

Yours sincerely



Patricia O'Donovan

The following are GAO's comments on the International Labor Organization's letter dated May 11, 2007.

GAO Comments

1. ILO commented that our report did not sufficiently reflect actions taken by ILO to address issues highlighted regarding inadequacy of audit staffing levels, lack of an organizationwide risk-management framework, lack of access to internal audit reports and other information by the governing body, audit staff financial disclosure, and an audit committee. Our report was updated after receipt of ILO's technical comments to reflect information provided by the organization regarding several of these issues, including adequacy of resources, financial disclosure, and its proposal submitted by the Director-General to ILO's governing body in March 2007 calling for the creation of an independent audit committee.
2. ILO commented that the report refers to an overall lack of a requirement for financial disclosure. According to ILO, in February 2006, it introduced a declaration that required that all procurement officials submit an annual declaration. In addition, in April 2007, ILO introduced a register of financial interests for all senior staff (graded at D1 level and above) and other designated officials (procurement) requiring them to make an annual financial disclosure identifying potential conflicts of interest and any supplements or gifts received. We updated our report to reflect these actions, but maintain that requiring financial disclosures from all staff conducting audits, investigations, and evaluations is a sound practice that could help to ensure that employees are free from conflict of interest.
3. ILO disagreed with our use of the findings from the quality assessment exercise that was published in its Annual Evaluation Report submitted to ILO's Governing Body in November 2006. Consistent with our generally accepted government auditing standards, we cite the findings of external assessments, if publicly available and where applicable, that specifically relate to our reporting objectives. We do not independently endorse the findings of these assessments, but are transparent about the use of them in the scope and methodology sections of our report.
4. ILO stated that it has serious reservations about implementing the recommendation regarding making internal audit reports available to governing bodies. We maintain that providing the governing body with access to all internal audit reports will provide the governing body with

greater insight into the organization's operations and highlight systemic weakness in internal controls.

5. ILO stated that the report should note that the proposed Terms of Reference for an Independent Oversight Advisory Committee submitted by the Director-General to ILO's governing body in March 2007, is in line with the recommendation for establishing an independent audit committee. We updated our report after receipt of ILO's technical comments to reflect this action.
6. ILO commented that the report makes no reference to the tripartite governance structure of ILO. We updated our report to include a sentence explaining ILO's tripartite structure.

Comments from the United Nations Development Program

**United Nations Development Programme
Office of Audit and Performance Review**



18 May 2007

Dear Madame,

I am writing to acknowledge the draft copy of the report on "United Nations: Oversight and Accountability Could be Strengthened by Further Instituting International Best Practices (GAO-07-597)". Whilst we appreciate the opportunity to comment I note with concern that it took the US mission several days to submit the draft.

Further to the technical comments which were submitted yesterday, UNDP has taken note of the recommendations put forth in the report. The organization is reviewing the issues and I can confirm that a number of these issues will be part of the interaction with our Executive Board during June 2007.

Thank you for your consideration.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Salleppan Kandasamy', written over a horizontal line.

Salleppan Kandasamy
Officer-in-Charge
Office of Audit and Performance Review

Ms. Zina D. Merritt
Assistant Director
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Washington D.C.

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Comments from the United Nations Children's Fund

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

**UNICEF
Office of Internal Audit**

**Comments on the draft report by the
United States Government Accountability Office
Report no. GAO 07-597**

UNICEF offers the following general comments on the draft report by the United States Government Accountability Office (the "GAO"), report no. GAO 07-597.

UNICEF notes that many of the issues considered in the report are in fact issues for the UNICEF Executive Board, and UNICEF recognizes the importance of ensuring that any discussion of such issues takes place within the context of the UNICEF Executive Board. With that in mind, UNICEF offers the following points as guidance for the GAO in finalizing its report.

See comment 1.

The draft report does not reflect a full appreciation of the specific governance structures of United Nations organizations. These are reflected in, for example, United Nations General Assembly resolutions A/RES/48/162 of 14 January 1994 and A/RES/50/227 of 1 July 1996, which provide details on the functions of the Executive Boards of UNDP and UNICEF, and the relationship of these Executive Boards to the Economic and Social Council and the General Assembly of the United Nations. UNICEF has adopted the IIA standards, but it is important to recall that any interpretation of these standards must be consistent with the governance structures in the organization. Any proposal to re-order the governance mechanisms so as to align them with a particular understanding of the IIA standards would be a matter for the UNICEF Executive Board (among other institutions).

See comment 2.

See comment 3.

The draft offers a view of "best practice" that is inconsistent with certain legislated oversight arrangements. We refer particularly to Figure 7 of the draft. For instance, the United Nations Board of Auditors, serving as the external auditors, reports to the United Nations General Assembly not the UNICEF audit committee; this is a decision of the Member States. The report of the Board of Auditors on its audit of the UNICEF financial statements is submitted to United Nations General Assembly; it is presented to the UNICEF Executive Board for information only.

See comment 4.

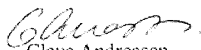
The GAO may also wish to recall that the IIA has provided guidance to the heads of the internal audit services of the United Nations system's organizations on the proper application of IIA standards in respect of the governance structures in these organizations. In 2002, the President of the IIA opined that "as long as your reporting relationship permits you to accomplish your responsibilities, as stated in [IIA] standard 1110, you are

Appendix VIII
Comments from the United Nations
Children's Fund

See comment 5.

reporting to the correct level.” Administrative reporting to the executive head of an organization is in accordance with IIA standards.¹

On the question of the reporting lines for the organization’s Audit Committee, and the reporting of the internal audit service generally, it is important to note that the internal audit service provides a detailed summary of audit activities, findings and an analysis of systemic weaknesses to the governing body. With Decision 2006/18 of 8 September 2006, the UNICEF Executive Board requested UNICEF to further enhance the level of analysis in the annual report of UNICEF’s Office of Internal Audit, and include management responses to the key and recurring issues identified by the Office of Internal Audit, and to assess and report on the resources required for the internal audit function. Members of the UNICEF Executive Board have thus already spoken on the reporting arrangements they wish to have in place.²



Claus Andreasen
Director, Office of Internal Audit

Date: 18 May 2007

¹ We note that through the mechanisms of the Chief Executives Board (in particular, the High Level Committee on Management), the leadership of United Nations organizations is reviewing current practice of United Nations organizations with respect to reporting of internal audit services, with a view to achieving a harmonized policy in this regard.

² While it a matter for the UNICEF Executive Board, it is possible that a report by the audit committee to the UNICEF Executive Board as to the findings and management responses presented by the Office of Internal Audit to the UNICEF Executive Board would be an appropriate mechanism to assist the UNICEF Executive Board in exercising its specific oversight role as identified by the United Nations General Assembly.

The following are GAO's comments on the United Nations Children's Fund letter dated May 18, 2007.

GAO Comments

1. UNICEF commented that our draft report did not reflect a full appreciation of the specific governance structures of the United Nations. We provide information in the introduction, background, and body of our report to help our readers understand the context of our three reporting objectives. Our review was not of the overall UN governance structures, but rather of the governance structures of the six UN affiliated organizations noted in our report. Figure 1 in our report shows the overall UN governance structure of the six UN-affiliated organizations reviewed.
2. UNICEF noted that any proposal to reorder the governance mechanisms so as to align them with a particular understanding of the IIA standards would be a matter for the UNICEF Executive Board (among other institutions). We recognize that decisions regarding changes in UNICEF's lines of reporting to allow UNICEF's governing body access to all audit reports, as well as the creation of an independent audit committee to be in line with international best practices, will require consideration and approval by UNICEF's Executive Board. In addition, State and several of the other UN organizations reviewed noted that discussions relating to our recommendations are currently being considered in many forums throughout the UN system.
3. UNICEF stated that the draft offered a view of "best practice" that is inconsistent with certain legislated oversight arrangements. Current best practice calls for the external auditor to report to an audit committee, which is part of the governing body, which in this case is the General Assembly. Therefore, the current reporting by UNICEF's external auditor is consistent with IIA's guidance, and we do not suggest that it be changed.
4. UNICEF commented that in 2002, the President of IIA opined that "as long as your reporting relationship permits you to accomplish your responsibilities, as stated in [IIA] standard 1110, you are reporting to the correct level." UNICEF stated that administrative reporting to the executive head of an organization is in accordance with IIA standards. We do not imply that reporting to the executive head is not in accordance with IIA standards. IIA guidance does provide that, at a

minimum, the organizational independence of the internal audit activity needs to allow audit work that is without interference by the entity under audit and is seen as independent as well. IIA guidance describes the audit committee's responsibility for overseeing internal audit as well as the reporting relationship between internal audit and senior management. By having the UNICEF internal audit activity report organizationally to an independent audit committee of the governing body, the independence and appearance of independence would be significantly improved.

5. UNICEF noted that its internal audit service provides a detailed summary of audit activities, findings, and analysis of systemic weaknesses to the governing body. In addition, UNICEF stated that its Executive Board has requested that UNICEF further enhance the level of analysis in the annual report of UNICEF's Office of Internal Audit, include management responses to the key and recurring issues identified by the Office of Internal Audit, and assess and report on the resources required for the internal audit function. We updated our report to reflect these actions.

GAO Contact and Staff Acknowledgments

GAO Contact

Thomas Melito, (202) 512-9601 or melitot@gao.gov

Staff Acknowledgments

In addition to the person named above, Phyllis Anderson, Assistant Director; Zina Merritt, Assistant Director; Debbie Chung; Jane Kim; Andrea Miller; and Barbara Shields made key contributions to this report. In addition, Jeffrey Baldwin-Bott, Valerie Caracelli, Martin De Alteriis, Mark Dowling, Etana Finkler, Jackson Hufnagle, Charlotte Moore, and Jena Sinkfield provided technical support.

Related GAO Products

United Nations: Management Reforms Progressing Slowly with Many Awaiting General Assembly Review. [GAO-07-14](#). Washington, D.C.: October 5, 2006.

United Nations: Weaknesses in Internal Oversight and Procurement Could Affect the Effective Implementation of the Planned Renovation. [GAO-06-877T](#). Washington, D.C.: June 20, 2006.

United Nations: Oil for Food Program Provides Lessons for Future Sanctions and Ongoing Reform. [GAO-06-711T](#). Washington, D.C.: May 2, 2006.

United Nations: Internal Oversight and Procurement Controls and Processes Need Strengthening. [GAO-06-710T](#). Washington, D.C.: April 27, 2006.

United Nations: Funding Arrangements Impede Independence of Internal Auditors. [GAO-06-575](#). Washington, D.C.: April 25, 2006.

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United Nations: Oil for Food Program Audits. [GAO-05-346T](#). Washington, D.C.: February 15, 2005.

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