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Proposed programme budget for 2021

Internal oversight: proposed programme budget for 2021

Report of the Independent Audit Advisory Committee

Summary

The present report reflects the comments, advice and recommendations of the Independent Audit Advisory Committee on the proposed programme budget for 2021 of the Office of Internal Oversight Services. The Committee continues to be mindful that, in his reform initiative, the Secretary-General called for, inter alia, strengthened accountability. The Committee is also aware that an effective oversight regime can foster a strengthened accountability mechanism. To achieve this, the Committee expects that OIOS will continue to review its business model so that it is more responsive to the changing environment, including with regard to performance measurement, and to the impact of emerging risks, such as the coronavirus disease (COVID-19) pandemic, and thus further increase its effectiveness in the discharge of its functions.

* [A/75/50](#)



I. Introduction

1. The Independent Audit Advisory Committee has undertaken a review of the proposed programme budget for 2021 of the Office of Internal Oversight Services (OIOS) in accordance with paragraph 2 (c) and (d) of its terms of reference (see General Assembly resolution 61/275, annex). The Committee's responsibility in this respect is to review the budget proposal of OIOS, taking into account its workplan, and to make recommendations to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions. The present report contains the Committee's comments, advice and recommendations relating to the proposed programme budget for 2021 of OIOS for consideration by the Advisory Committee and the Assembly.

2. The Programme Planning and Budget Division of the Department of Management Strategy, Policy and Compliance provided the Committee with section 30, Internal oversight, of the proposed programme budget for 2021 (*A/75/6 (Sect. 30)*), as well as relevant supplementary information. OIOS provided supplementary information relating to its budget proposal, which the Committee took into consideration. At its fiftieth session, which was held virtually from 29 April to 1 May 2020, the Committee allocated a significant proportion of its agenda to discussions with OIOS and the Controller on the budget for OIOS.

3. The Committee would like to acknowledge the efforts of the Programme Planning and Budget Division in expediting the preparation of the internal oversight section of the budget for review by the Committee. The Committee also appreciates the cooperation on the part of OIOS in providing information for the preparation of the present report.

II. Review of the proposed programme budget for 2021 of the Office of Internal Oversight Services

4. The projected resources for OIOS for 2021 from the regular budget (after recosting), combined with other assessed and extrabudgetary resources, totalled \$65,624,600, compared with \$61,599,600 for 2020, which is an increase of 6.5 per cent (see table 1). The increases were in the regular budget and other assessed budget resources. The post resources decreased, from 288 to 287 posts, with the decrease coming under other assessed budget resources.

Table 1

Overall financial and post resources by programme (after recosting)

(Thousands of United States dollars)

	<i>Financial resources</i>				<i>Post resources</i>			
	<i>2020 estimate</i>	<i>2021 estimate</i>	<i>Variance</i>		<i>2020 estimate</i>	<i>2021 estimate</i>	<i>Variance</i>	
			<i>Amount</i>	<i>Percentage</i>			<i>Number of posts</i>	<i>Percentage</i>
A. Executive direction and management	1 489.7	1 523.5	33.8	2.3	8	8	–	0.0
B. Programme of work	58 127.8	62 052.9	3 925.1	6.8	269	268	(1)	(0.4)
Subprogramme 1.								
Internal audit	34 923.5	36 375.8	1 452.3	4.2	164	160	(4)	(2.4)
Subprogramme 2.								
Inspection and evaluation	6 076.5	6 733.6	0.0	0.0	30	33	3	–

	<i>Financial resources</i>				<i>Post resources</i>			
	<i>2020 estimate</i>	<i>2021 estimate</i>	<i>Variance</i>		<i>2020 estimate</i>	<i>2021 estimate</i>	<i>Variance</i>	
			<i>Amount</i>	<i>Percentage</i>			<i>Number of posts</i>	<i>Percentage</i>
Subprogramme 3. Investigations	17 127.8	18 943.5	1 815.7	10.6	75	75	–	–
C. Programme support costs	1 982.1	2 048.2	66.1	3.3	11	11	–	–
Total	61 599.6	65 624.6	4 025.0	6.5	288	287	(1)	(0.3)

Note: Budget figures were based on section 30, Internal oversight, of the proposed programme budget for 2021 (A/75/6 (Sect. 30)) and the relevant supplementary information.

5. While table 1 shows costs after recosting, in its present report, the Committee generally uses values before recosting (which exclude estimated increases owing to inflation and currency fluctuations), in order to facilitate comparisons between the budgets for 2020 and 2021.

6. Table 2 presents the proposed regular budget resources for OIOS for 2021, compared with the appropriation for 2020. The proposed programme budget for 2021 of OIOS (regular budget) is estimated at \$20,681,200 (before recosting), which is a nominal increase of \$171,300, or 0.8 per cent, compared with the appropriation of \$20,509,900 for 2020. The post resources, on the other hand, stayed the same, at 114 posts. The Committee was informed that the increase in the regular budget was primarily in the Investigations Division and pertained to technical adjustments, as discussed under subprogramme 3.

Table 2
Regular budget resources by programme (before recosting)

(Thousands of United States dollars)

<i>Regular budget</i>	<i>Financial resources</i>				<i>Post resources</i>			
	<i>2020 appropriation</i>	<i>2021 estimate</i>	<i>Variance</i>		<i>2020 Appropriation</i>	<i>2021 estimate</i>	<i>Variance</i>	
			<i>Amount</i>	<i>Percentage</i>			<i>Number of posts</i>	<i>Percentage</i>
A. Executive direction and management	1 489.7	1 480.7	(9.0)	-0.6	8	8	–	0.0
B. Programme of work	17 675.9	17 856.8	180.9	1.0	99	99	–	0.0
Subprogramme 1. Internal audit	8 250.7	8 242.2	(8.5)	-0.1	44	44	–	0.0
Subprogramme 2. Inspection and evaluation	3 804.4	3 809.0	4.6	0.1	22	22	–	0.0
Subprogramme 3. Investigations	5 620.8	5 805.6	184.8	3.3	33	33	–	0.0
C. Programme support costs	1 344.3	1 343.7	(0.6)	0.0	7	7	–	0.0
Total	20 509.9	20 681.2	171.3	0.8	114	114	0	0.0

Note: Budget figures were based on section 30, Internal oversight, of the proposed programme budget for 2021 (A/75/6 (Sect. 30)) and the relevant supplementary information.

A. Executive direction and management

7. As indicated in table 2, the financial resources for executive direction and management are expected to decrease marginally, from \$1,489,700 approved for 2020 to \$1,480,700 for 2021, whereas the post resource requirements will remain at eight posts.

B. Programme of work

Subprogramme 1

Internal audit

8. The proposed regular budget resources for 2021 for subprogramme 1, Internal audit, are expected to decrease marginally, from \$8,250,700 approved for 2020 to \$8,242,200 for 2021, and the post resource levels will remain at 44 posts (see table 2).

Risk-based work planning process

9. The Committee held extensive discussions with OIOS on the risk-based work planning process and to ascertain how the Internal Audit Division takes Organizational risk into account in determining the level of resources required to deliver the programme of work. The Committee continues to believe that using risk assessments to prioritize and allocate audit resources is a best practice, which the Committee has supported in its previous reports on the budget for OIOS. In that regard, OIOS informed the Committee that for the proposed programme budget for 2021, the Division had developed a refined methodology for assessing its resource requirements. Under the new methodology, high-risk areas would be covered in a three-year period, including high-risk cross-cutting areas, whereas medium-risk areas would be covered in a five-year period. An entity not audited during the preceding five years would be deemed high-risk. OIOS further noted that high risks associated with information and communications technology (ICT) were considered separately and would be covered over a five-year cycle.

10. In response to the Committee's prior recommendation, OIOS further indicated that, as part of the refinements to the methodology for preparing its risk-based workplans, it had adjusted the categories of risk used when conducting the entity risk assessments and capacity gap analyses to ensure better alignment with the Secretariat's enterprise risk management framework. As shown in table 3, the Internal Audit Division plans to undertake 93 assignments in 10 focus areas in 2021. The majority (47 assignments) of the proposed assignments will focus on two areas, namely: (a) programme and project management; and (b) strategic management and governance.

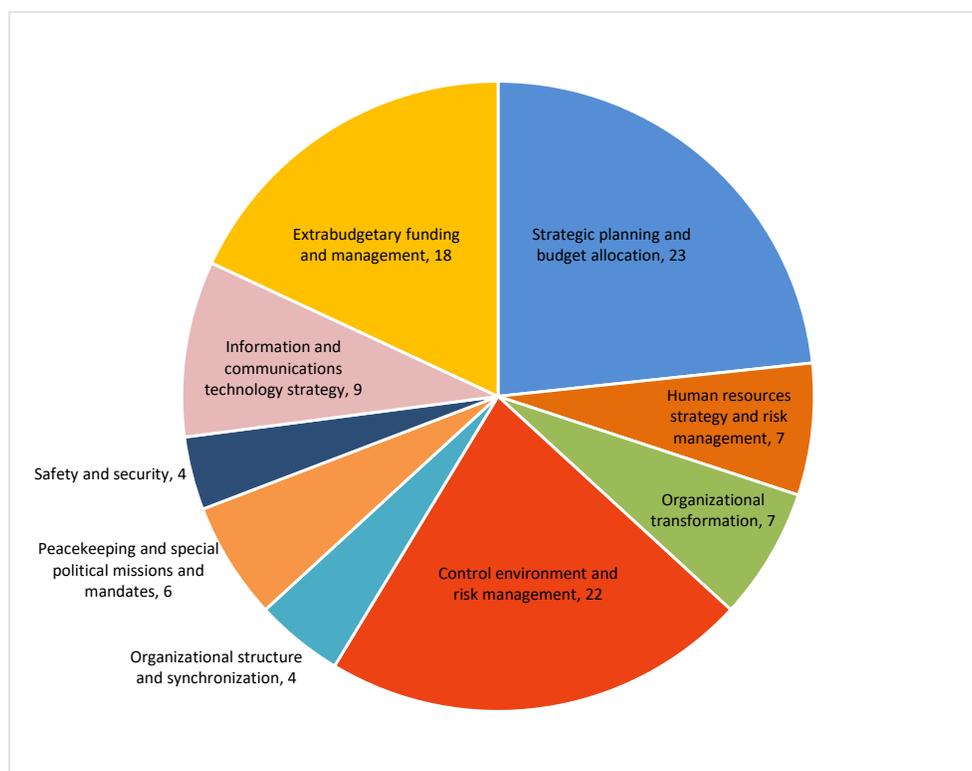
Table 3
Assignments of the Internal Audit Division by focus area in 2021

<i>Focus area</i>	<i>Number of assignments</i>
Programme and project management	26
Strategic management and governance	21
Procurement and contract administration	5
Financial management	7
Logistics management	4
Information technology management	10

<i>Focus area</i>	<i>Number of assignments</i>
Conference and document management	2
Human resources management	8
Property and facility management	4
Safety and security	6
Total	93

11. With respect to providing a link between the Internal Audit Division's risk assessment and the Organization's risk register, OIOS informed the Committee that the Division's assignments in 2021 would address the nine top risks previously identified by the Organization. According to OIOS, 63 per cent of the assignments would address three major risks, namely: (a) strategic planning and budget allocation; (b) control environment and risk management; and (c) extrabudgetary funding and management (see figure I).

Figure I
Assignments of the Internal Audit Division by top risks of the Organization
 (Percentage)



12. The Committee was further informed that, in the context of the prevailing situation, including the challenges brought about by the coronavirus disease (COVID-19) pandemic, OIOS has taken some efficiency measures, leading to a 20 per cent reduction in travel across the Office. In that connection, the Internal Audit Division plans to: (a) utilize systems data and video technologies for more remote auditing; (b) utilize desktop planning and data analysis; and (c) consolidate travel and deploy teams more efficiently.

13. With respect to prioritization, the Committee was informed that OIOS was looking at utilizing the efficiency gains to fund the proposed external quality assessments of all three divisions to be completed in 2021 and an internal review of the OIOS recommendation monitoring system.

14. The Committee welcomes the effort that the Internal Audit Division is putting into the prioritization of its work, together with the focus on aligning its workplan with Organizational risks. As the Organization reviews and updates its risk register in the light of the COVID-19 pandemic and other emerging risks, OIOS will also need to update its risk assessment and potentially adjust or reprioritize its workplan.

Capacity gap analysis of the Internal Audit Division

15. Within the context of the refined methodology for work planning, OIOS informed the Committee of the planning assumptions that had been used to arrive at the capacity gap, namely: (a) high-risk areas would be covered in a three-year period, including high-risk cross-cutting areas; (b) medium-risk areas would be covered in a five-year period; (c) an entity not audited during the preceding five years would be deemed high-risk; and (d) high risks associated with ICT would be considered separately and covered over a five-year period.

16. According to OIOS, the capacity gap in the Internal Audit Division represented the resources needed to cover those risks that could not be covered within the current resources. Also according to OIOS, the Division's capacity gap for 2021 had become more apparent in activities funded with extrabudgetary resources, representing 10 of the 14 posts that the Internal Audit Division needed to effectively address the identified risks. The remaining 4 posts pertained to the regular budget, including 2 ICT posts. Despite the shortfall, OIOS informed the Committee that no additional resources had been requested for the 2021 regular budget owing to the current austerity measures and the request to submit a zero-growth budget.

17. The Committee inquired from OIOS what the impact of the capacity gap would be on the work of the Internal Audit Division. In response, OIOS indicated that the impact of reduced resources may result in the Division's inability to achieve the criterion of auditing higher risk areas every three years. For activities funded with extrabudgetary resources, OIOS noted that it would continue to communicate with management those higher risk areas that could not be covered owing to resource constraints. OIOS further informed the Committee that to ensure that available resources were used most effectively and, taking into account expected capacity gaps going forward, the Division would: (a) continue to ensure that audit resources were focused on entities' higher risk areas; (b) place greater audit emphasis on the "second line of defence" activities to assess management oversight capacity, particularly over regional or country operations; and (c) build its capacity to audit ICT risks by recruiting auditors with an audit background in ICT and providing additional training to its auditors.

18. The Committee remains cognizant of the prevailing environment that the Organization is facing and the budget guidance provided. The Committee is also aware that OIOS is committed to mitigating the impact of the capacity gap, as noted above. On that note, the Committee endorses the resource requirements for the Internal Audit Division as presented.

**Subprogramme 2
Inspection and evaluation**

19. As shown in table 2, the regular budget resources for 2021 for subprogramme 2, Inspection and evaluation, amount to \$3,809,000, representing a marginal increase of

0.1 per cent (owing to the proposed engagement of independent contractors to conduct external quality assessment of the Inspection and Evaluation Division), compared with the appropriation for 2020, which stood at \$3,804,400. The post resources remained the same, at 22 posts.

Risk assessment and the work planning process

20. The Committee was informed that OIOS had changed the way that the Inspection and Evaluation Division was addressing the evaluation needs of the Organization. In that regard, all “non-programmatic” departments, such as the Department of Management Strategy, Policy and Compliance and the Department of Operational Support, would be subject to performance auditing by the Internal Audit Division rather than through programme evaluation conducted by the Inspection and Evaluation Division. OIOS further indicated that the evaluation of the remaining departments would no longer be conducted at the programme level (that is, at a high level), but rather at the subprogramme level. Under the new subprogramme-focused approach, OIOS planned to assess and rank subprogrammes, taking into consideration the Secretariat’s enterprise risk management risk register information, as well as risks emanating from United Nations reform initiatives and support for the Sustainable Development Goals.

21. Accordingly, with the Internal Audit Division providing oversight of the nine “non-programmatic” entities, OIOS indicated that the Inspection and Evaluation Division would focus its efforts on evaluating the remaining 22 entities. With such a shift, it would be expected that there would be no capacity gap with respect to the resources of the Inspection and Evaluation Division. However, according to OIOS, the shift entailed a deeper focus towards the subprogramme level that would actually increase the number of evaluations required. That is because, according to OIOS, in the past, the Division had focused on the programme level and evaluated only a sample of subprogrammes, whereas under the new approach it was committed to evaluating all 142 subprogrammes of the remaining 22 “programmatic” entities.

22. The Committee welcomes the shift in emphasis that will enable the Inspection and Evaluation Division to focus more on subprogramme results, thereby supporting a major goal of the Secretary-General’s reform initiative, and will follow up with OIOS on the impact of this change at its subsequent sessions.

Capacity gap analysis of the Inspection and Evaluation Division

23. With regard to the capacity gap analysis, the Committee was informed that the initial capacity needs assessment and gap analysis of the Inspection and Evaluation Division were also made within the revised context that envisaged 142 subprogrammes. According to OIOS, the following assumptions had informed the Division’s capacity gap analysis: (a) focus would be on regular budget-funded entities in the sustainable development and peace and security pillars; (b) gap analysis would be at the level of subprogrammes and special political missions; and (c) full evaluation of subprogrammes and special political missions would be conducted in a period of eight years.

24. In the light of the eight-year evaluation cycle, OIOS indicated that the Inspection and Evaluation Division would have to evaluate 18 subprogrammes per year, requiring 26 staff annually. According to OIOS, however, the Division had 17 staff available to conduct the evaluations, leaving an annual capacity gap of 9 staff.

25. The Committee inquired from OIOS what the impact of the capacity gap would be on the work of the Inspection and Evaluation Division and was informed that the impact of the gap of 9 posts would be that, instead of covering 142 subprogrammes

in 8 years, doing so would take about 12 years. In that context, OIOS noted that the Division would prioritize high-risk subprogrammes and those with particular relevance to and importance for United Nations reform initiatives and United Nations support for the achievement of the Sustainable Development Goals. In addition, the Committee was informed that the Division would strengthen its role in providing support and methodological guidance regarding Secretariat evaluation functions so that the overall capacity of those functions is strengthened to support programme and subprogramme level oversight. According to OIOS, that would include working closely with the Department of Management Strategy, Policy and Compliance in the establishment of a Secretariat evaluation policy and playing a direct role in providing evaluation support, advice and capacity-building to those responsible for performing Secretariat evaluation functions, including working with the Department in the development of training modules in partnership with the United Nations System Staff College.

26. Within the context of the ongoing reforms and the high importance attached to the 2030 Agenda for Sustainable Development, the Committee continues to believe that the role of a strengthened evaluation capacity remains critical. The Committee believes that the Inspection and Evaluation Division needs to be augmented if it is to be effective in executing its mandate. The Committee is concerned that, in the light of the current situation, the Division may not be able to address all the areas in a timely manner. The Committee therefore encourages OIOS to ensure adequate prioritization so as to focus on the high-risk subprogrammes within the eight-year evaluation cycle.

Subprogramme 3 Investigations

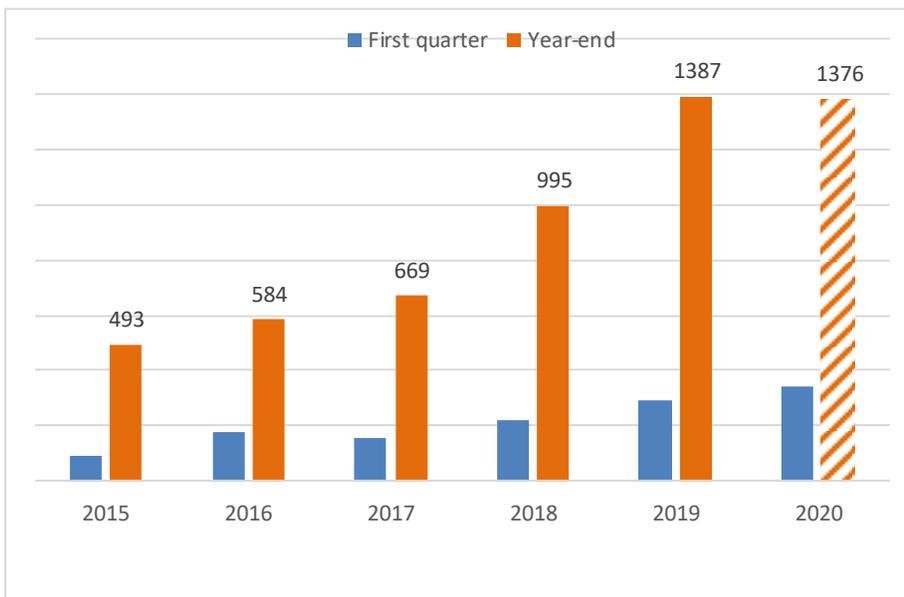
27. The proposed regular budget resources for 2021 for subprogramme 3, Investigations, amount to \$5,805,600, representing a net increase of \$184,800, or 3.3 per cent, compared with the appropriation for 2020 of \$5,620,800. The net increase in the overall resource requirements for the regular budget is attributed mainly to a technical adjustment resulting from the annual provision for three sexual harassment investigators in Vienna, which were approved in 2020. The post resources remained the same, at 33 posts (see table 2).

28. During the review process, the Committee was informed that the Investigations Division continued to address the issues identified in the Committee's prior reports, especially the recruitment and retention of staff in the Division. According to OIOS, the vacancy rate for the support account budget (as at 31 March 2020) had declined further, from 14.5 per cent reported the previous year to 13.1 per cent, while that of the regular budget had declined from 24.2 per cent to 22.2 per cent. **Within the context of the prevailing situation, the Committee commends OIOS for the effort that it is putting into addressing this recurrent problem.**

Trend analysis and workplan process of the Investigations Division

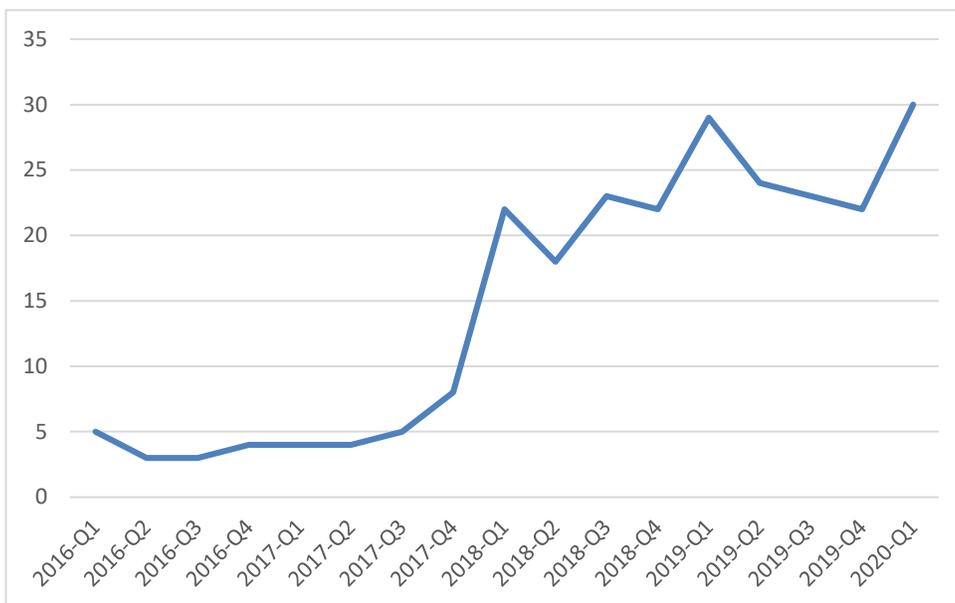
29. During its deliberations, the Committee was provided with relevant trend analyses of the activities of the Investigations Division. According to OIOS, those analyses had formed the basis for the workplan for 2021. Specifically, the Committee looked at the intake levels for the investigation matters that came to the Division and was informed that there had generally been an upward trend since 2015. It was anticipated that, by the end of 2020, the Division would have received 1,376 cases, compared with 1,387 in 2019 (see figure II).

Figure II
Trend analysis of cases received by the Investigations Division



30. With regard to sexual harassment complaints, the Committee was informed that the number had continued to trend upward, from 5 in the first quarter of 2016 to 30 in the first quarter of 2020. As shown in figure III, the sharpest increases in reported cases were in the first quarters of 2018, 2019 and 2020.

Figure III
Number of sexual harassment complaints



Capacity gap analysis of the Investigations Division

31. In analysing the capacity gap of the Investigations Division, OIOS informed the Committee of the methodology used, which had included: (a) an analysis of overall caseload levels and, for selected specialist areas (for example, sexual harassment)

with dedicated investigators; (b) the identification of anticipated future caseload (based on historical levels, as well as anticipated changes in Organizational risk); and (c) matching anticipated caseload to current investigator capacity (for all investigators, as well as selected specialist areas), taking into account vacancy rates and other limitations.

32. According to OIOS, the capacity gap of the Investigations Division represented the capacity available as compared with the capacity required to handle the anticipated caseload within the established time frames. The Committee was informed that the capacity gap analysis took into account all sources of funding for investigation and forecasted caseload for 2021. Since the number of cases received by the Division in 2021 is expected to remain at about the same level as that in 2019 (see figure II), the Division does not anticipate a significant capacity gap for 2021.

33. **In view of the above, the Committee endorses the resource requirements of the Investigations Division, which reflect the maintenance of the same resource levels.**

C. Programme support

34. The proposed regular budget resources for 2021 for programme support amount to \$1,343,700. The post resources remain at 7 posts.

III. Conclusion

35. The members of the Independent Audit Advisory Committee respectfully submit the present report, containing the Committee's comments and recommendations, for consideration by the General Assembly.

(Signed) Janet **St. Laurent**
Chair, Independent Audit Advisory Committee

(Signed) Richard Quartei **Quartey**
Vice-Chair, Independent Audit Advisory Committee

(Signed) Dorothy A. **Bradley**
Member, Independent Audit Advisory Committee

(Signed) Anton A. **Kosyanenko**
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(Signed) Agus Joko **Pramono**
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