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## Fifth Committee

### Summary record of the 30th meeting

Held at Headquarters, New York, on Tuesday, 12 December 2006, at 10 a.m.

*Chairman:* Mr. Mitsopoulos (Vice-Chairman) ..... (Greece)  
*later:* Mr. Yousfi (Chairman) ..... (Algeria)  
*Chairman of the Advisory Committee on Administrative  
 and Budgetary Questions:* Mr. Saha

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*In the absence of Mr. Yousfi (Algeria), Mr. Mitsopoulos (Greece), Vice-Chairman, took the Chair.*

*The meeting was called to order at 10.10 a.m.*

**Agenda item 47: Integrated and coordinated implementation of and follow-up to the outcomes of the major United Nations conferences and summits in the economic, social and related fields** (*continued*) (A/60/846/Add.6 and Add.7, A/60/860 and Add.1, A/60/883 and Add.1 and Add.2, A/60/903, A/60/909, A/60/1004; A/61/605)

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**Agenda item 149: United Nations reform: measures and proposals** (*continued*) (A/60/846/Add.6 and Add.7, A/60/860 and Add.1, A/60/903, A/60/909)

1. **Mr. Sach** (Acting Under-Secretary-General for Management), introducing the report of the Secretary-General on implementation of decisions contained in the 2005 World Summit Outcome for action by the

Secretary-General: comprehensive review of governance and oversight within the United Nations and its funds, programmes and specialized agencies (A/60/883 and Add.1 and Add.2), prepared pursuant to General Assembly resolution 60/1, said that the Organization had been struggling for a number of years to meet the many challenges before it. In requesting an independent external evaluation of the auditing and oversight system of the United Nations, Member States had acknowledged that improving governance and oversight was fundamental to the modernization of the Organization's management.

2. The Organization's governance, oversight and management systems had not kept pace with the dramatic increase in United Nations operations so as to allow for the collective handling of multi-billion-dollar global operations. The report before the Committee was an important contribution to the process of strengthening the United Nations system as a whole through concrete measures to apply the concepts and principles of modern governance, accountability, oversight, ethical standards, fairness, responsibility and transparency.

3. The report of the independent Steering Committee on the Comprehensive Review of Governance and Oversight within the United Nations and its Funds, Programmes and Specialized Agencies (A/60/883 and Add.1-2) reflected General Assembly resolution 60/254, in which the Assembly had noted that there would be a separate report on the independent external evaluation of the auditing and oversight system within the United Nations, including the specialized agencies, as well as one on a comprehensive governance review.

4. The Secretary-General supported the main findings of the report of the Steering Committee, subject to some minor exceptions: he supported the continuation by the Advisory Committee on Administrative and Budgetary Questions (ACABQ) of the review of the budget proposals for the Office of Internal Oversight Services (OIOS), which was important for the integrity of the budget process; and he recognized that there was little support for citing the Investigations Division of OIOS in the Office of Legal Affairs and that alternative options existed. With regard to governance recommendation 4, relating to the role of Member States and the functioning of the Fifth Committee, the Secretary-General agreed with the Advisory Committee that, given the adoption of

General Assembly resolution 60/260, there was no merit in considering the issue further.

5. Volumes I, II and III of the report of the Steering Committee were contained in document A/60/883/Add.1 and provided the project framework and methodology for the comprehensive review of governance and oversight, together with the recommendations with respect to governance. The document set out a Code of Governance for consideration and potential use by United Nations system entities. The Secretary-General endorsed governance recommendation 1 — that the implementation of results-based management should be strengthened — and had proposed that that issue should be subject to a thorough expert review so as to develop a plan for the continuous improvement of results-based management, with the endorsement and participation of Member States. The Secretary-General also endorsed governance recommendation 2 — that the accountability of executive management should be strengthened as a matter of priority. The recommendation included the enhancement of management structures through the creation of a management committee and an in-depth expert review of the Secretariat's accountability framework in concert with the review of results-based management.

6. Document A/60/883/Add.2 contained volumes IV and V of the report of the Steering Committee and provided recommendations with respect to oversight, including the review of OIOS. The Secretary-General supported oversight recommendation 1: the establishment of a systematic enterprise risk management framework. Enterprise-wide risk management was a structured and coordinated entity-wide governance approach for identifying, quantifying, responding to and monitoring the consequences of potential events. The Secretary-General also supported oversight recommendation 2: that responsibility for internal controls and periodic reporting on internal control effectiveness should be formally assigned to management. Those recommendations were interrelated and could most efficiently be implemented together, following the preparation of terms of reference for the appropriate technical advice.

7. Oversight recommendation 3 proposed the prompt implementation of the General Assembly's decision in its resolution 60/248 to establish the Independent Audit Advisory Committee (IAAC). A

separate report of the Secretary-General (A/60/846/Add.7) had been submitted in that regard.

8. Other recommendations in volume IV addressed matters that fell strictly within the purview of the intergovernmental organs, such as the future of the Joint Inspection Unit (JIU) and the provision of oversight services for inter-agency activities. Those recommendations affected the role and responsibilities of OIOS, the Board of Auditors and other oversight entities within the wider United Nations system. Following consideration by Member States, the Secretary-General would work with Member States, the United Nations System Chief Executives Board for Coordination (CEB), OIOS, the Board of Auditors and other oversight entities to implement any decisions resulting from the discussions.

9. Volume V contained the review of OIOS and recommendations for action to improve the oversight which the Office provided, with particular emphasis on the improvement of internal audit and the provision of operational and budgetary independence to OIOS.

10. The recommendations presented deserved close attention. Member States might wish to focus on a few key issues where immediate action was imperative and achievable and would have the most beneficial impact. First, he encouraged Member States to come to a decision on the terms of reference of IAAC in early 2007, bearing in mind that, in an increasingly complex world, access to technical advice from highly qualified experts was essential to help Member States execute their oversight role. Second, it was essential to strengthen OIOS, in particular by determining the right mix of functions for OIOS and by building adequate firewalls between the auditing and investigative functions so as to protect staff confidence in auditing. Third, the accountability framework, risk management and results-based management needed to be improved so as to enhance the Organization's management capacity and stewardship of resources. The proposals contained in the report of the Steering Committee were subject to the decisions of Member States. Once choices had been made, the Committee would be provided with a statement of the related financial implications.

11. The Organization had been criticized for its governance and oversight systems, weak financial controls, poor management of resources and failure to keep up to date with best practices in management. The

proposals before the Committee were aimed at addressing those weak points. Approval of the proposals by the General Assembly would help the Organization move forward to serve Member States better. The Secretariat stood ready to assist the Committee in its deliberations.

12. **Ms. Ahlenius** (Under-Secretary-General for Internal Oversight Services), speaking via videoconference, introduced the report of the Office of Internal Oversight Services on proposals for strengthening the Office of Internal Oversight Services (A/60/901). The 2005 World Summit Outcome, adopted by the General Assembly in its resolution 60/1, had stressed the need to improve the United Nations oversight and management processes. A governance and oversight review and a review of OIOS had subsequently been carried out.

13. Her proposals for strengthening OIOS took into account the report of the Steering Committee. A revised estimate for the biennium 2006-2007 to cover the immediate budgetary implications of the proposals had been submitted to the Committee for its approval. She would discuss all the proposals put forward in the report, but wished to point out that she had already commenced implementation of those measures that fell within her authority.

14. The operational independence of OIOS under the authority of the Secretary-General had been established by General Assembly resolution 48/218 B. However, it was compromised by the fact that the Department of Management, one of the main entities audited by the Office, currently played a major role in determining the Office's budget. Moreover, the restrictions on the use of resources funded by one entity to undertake oversight assignments for another entity limited the Office's ability to pursue a risk-based approach to audit. As a result, OIOS was unable to comply fully with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

15. The OIOS report (A/60/901) made it clear that the Office's core functions must remain as stipulated in General Assembly resolution 48/218 B. She therefore strongly disagreed with the Steering Committee's recommendation that the investigation function should be removed from the remit of OIOS. Such a step would significantly weaken oversight in the United Nations. She was pleased to note that ACABQ stated in its

report that the investigation function should be maintained in OIOS.

16. Work had already begun on certain initiatives outlined in the OIOS report. She had consolidated the existing internal audit functions into one Internal Audit Division headed by a director based in New York. She had also established a Professional Practices Unit using resources provided for in the regular budget for the biennium 2006-2007. By January 2007, the Unit would have five qualified staff headed by a P-5. The Information and Communication Technology Audit Section had also been established, and staff were being recruited for it. By January 2007, the Section would be fully operational, with four staff headed by a P-5.

17. Another proposal was to place the inspection and evaluation functions under the leadership of a director at the D-2 level. She wished to enhance the inspection function so as to provide management and the intergovernmental bodies with comprehensive inspection reports on the management of United Nations entities. Evaluation was an integral part of effective independent internal oversight, and she strongly disagreed with the Steering Committee's recommendation that the Evaluation Section should be relocated to the Department of Management. Management should have the capacity to conduct self-evaluations as part of the management process, but they should not be carried out at the expense of the independent central evaluations conducted by OIOS.

18. Further, the Steering Committee's report did not provide an adequate analysis with regard to strengthening the investigation function. High priority would therefore be given to conducting a comprehensive review of the functions, structure and work processes of the OIOS Investigations Division. Although the review would not be concluded until June 2007, work was already under way to improve professionalism and the quality of work.

19. OIOS was recommending that the management consulting function should be transferred from OIOS to the Department of Management. The move had been endorsed by the Advisory Committee and the Secretariat's Management Committee and would be implemented pending a decision by the General Assembly on the transfer of resources.

20. The OIOS report proposed that responsibility for the preparation of the biennial programme performance report of the Secretary-General should be transferred to

the Department of Management. OIOS also proposed to redeploy 11 of the 27 unused general temporary assistance posts originally allotted to investigations in the 2006-2007 regular budget to other functions in OIOS. The Office's commitment to undertake investigations of fraud and corruption had been more than adequately met through the establishment of the Procurement Task Force under her authority. In addition to the redeployment of posts, the report contained proposals for building staff skills and capacity.

21. Most of the proposals in the report would be achieved through the redeployment of resources and the replacement of the management consulting posts, which she trusted the General Assembly would approve. Without the replacement posts, it would not be possible fully to achieve the aim of strengthening the OIOS inspection function.

22. **Ms. Wynes** (Chairperson, Joint Inspection Unit), introducing the JIU report on oversight lacunae in the United Nations system (A/60/860) and the comments of JIU on the report of the Steering Committee for the Comprehensive Review of Governance and Oversight within the United Nations and its Funds, Programmes and Specialized Agencies (A/60/1004), said that the former document had been elaborated at a time when there had been many reports in the press calling into question the efficiency of operations in the United Nations, the effectiveness of the mechanisms for overseeing them and the integrity of the Organization's management. The objective of the report was to provide Member States with a comprehensive vision of the state of oversight in the United Nations system and some of the *modi operandi*. The report concluded that, while there was nothing intrinsically deficient with either the design or the mandates of the overall system of oversight, important issues remained to be addressed, particularly with respect to the level and type of resources, working practices and independence.

23. The philosophy behind the report was to strengthen the role of Member States in the oversight process by closing the gaps found in external and internal oversight and to guarantee the necessary independence of both internal and external oversight mechanisms. Recommendations included the establishment of term limits for the heads of internal oversight and the external auditors, financial disclosure requirements for certain staff, whistle-blower protection and an ethics function. The United Nations

and a number of agencies had already put some of those measures in place, but some agencies had not. Other recommendations related to the need to buttress the investigation function, to improve the budget process for internal and external oversight entities, to ensure peer review of ACABQ, the International Civil Service Commission (ICSC) and JIU, to ensure consistent follow-up and implementation of recommendations and to consolidate audit, inspection, investigation and evaluation functions in a single unit. The report also recommended the establishment of an independent external oversight board, analogous to IAAC. Annex I to the report contained some suggested standards and ranges that would allow comparison of the adequacy of the mandates and resources allocated to oversight throughout the United Nations system.

24. JIU took a markedly different approach to oversight from the Steering Committee. It believed that oversight was a function of Member States that went beyond internal audit, rather than a function of management alone, which itself was the subject of oversight. Some of the Steering Committee's recommendations — such as the establishment of an ethics function, term limits for the head of OIOS, the transfer of management consulting out of OIOS and the establishment of an oversight body — paralleled the JIU recommendations. However, JIU had major concerns relating to the Steering Committee's lack of proper and timely consultation, its limited understanding of how the United Nations system operated and its lack of analysis. The recent reports of OIOS (A/60/901) and ACABQ (A/61/605) expressed some of the same concerns. The concerns of JIU were explained in detail in document A/60/1004.

25. **Mr. Herman** (United Nations System Chief Executives Board for Coordination), introducing the note of the Secretary-General transmitting his comments and those of CEB on the JIU report entitled "Oversight lacunae in the United Nations system" (A/60/860/Add.1), welcomed the detailed nature of the JIU report (A/60/860). The latter should be considered in conjunction with the results of the independent external evaluation of the audit and oversight system, which had implications for the JIU recommendations.

26. Organizations accepted many of the recommendations presented by JIU but noted in several instances that the JIU report did not reflect the fact that organizations had already implemented, or had begun implementing, the suggested change. For example,

with respect to recommendation 13, CEB members strongly objected to the implication that independent quality assessments were not yet being performed. With regard to some recommendations, such as recommendation 1, the responses from organizations varied. Detailed comments had been made on recommendation 6, which related to the structure of internal oversight, with some differences of view expressed.

27. The JIU report was a valuable contribution to the current discussions on the oversight function in the United Nations system and should be integrated within the context of other frameworks currently under consideration by the Committee.

28. **Mr. Saha** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the related reports of the Advisory Committee (A/60/909 and A/61/605), said that, during its consideration of the Steering Committee's report, the Advisory Committee had held extensive consultations with the Audit Operations Committee, the Under-Secretary-General for Internal Oversight Services and other representatives of the Secretary-General, as well as with the Chairperson and Vice-Chairperson of the Joint Inspection Unit. The Advisory Committee's report sought to facilitate consideration of the questions at issue by clearly indicating which recommendations addressed matters within the purview of the Secretary-General as chief administrative officer of the Organization, which should await the completion of pending reports, which related to matters upon which the Assembly had already pronounced itself and which could be taken up at the present time. On that basis, the Advisory Committee had identified five issues for early decision, namely, the strengthening of results-based management and accountability, the establishment of the Independent Audit Advisory Committee, the operational independence of the Office of Internal Oversight Services, the strengthening of the internal control framework and the related application of risk management.

29. The Advisory Committee supported the Secretary-General's proposals on strengthening results-based management and accountability contained in document A/60/883 and was recommending using expertise from within the United Nations system to carry out the study on the implementation of results-based management referred to in paragraph 12 of that document. As far as the in-depth review of the

Secretariat's accountability framework was concerned, the Advisory Committee stressed that such a review should include concrete proposals for specific sanctions to be applied in the case of under- or non-performance, as well as for recognition of outstanding performance.

30. As far as IAAC was concerned, the Secretary-General should submit revised terms of reference, reflecting, inter alia, the purely advisory role of that body, to the General Assembly at the first resumed part of its sixty-first session. The Advisory Committee was also recommending that, for greater ease of decision-making, IAAC should be composed of five members rather than ten, and that the General Assembly should develop procedures to verify the qualifications of prospective members.

31. With regard to the reporting arrangements for OIOS, the Advisory Committee pointed out that, regardless of the internal administrative arrangements made, the ultimate responsibility lay with the Secretary-General under Article 97 of the Charter. Moreover, the operational independence of the Office required that it should report directly to the Secretary-General. On the issue of enterprise-wide risk management and internal controls, the Secretary-General should be requested to proceed with the development of the terms of reference outlined in paragraphs 17 and 18 of document A/60/883. While outside expertise might be required to provide guidance on best practices, the study should be led in-house. As far as the independence of expert committees was concerned, the Steering Committee had failed to address the issue of the autonomy of the secretariats of such entities. Without proper procedures, the independence of the bodies themselves was at risk.

32. Lastly, he drew attention to paragraph 83 of document A/61/605, which contained the Advisory Committee's recommendation concerning resource requirements.

33. **Mr. Kumalo** (South Africa), speaking on behalf of the Group of 77 and China, reiterated his strong support for various measures designed to strengthen oversight and accountability, including the formulation of a whistle-blower protection policy and the adoption of the International Public Sector Accounting Standards. However, he also recalled the Group's position of principle that to suggest that a small but representative group of Member States could replace

the role of all Member States in carrying out the oversight responsibilities of the General Assembly was to deny every Member State its rightful role and to attempt to undermine the equality of Member States enshrined in the Charter. It was therefore regrettable that governance proposals that had been rejected by the Assembly in May 2006 were once again before Member States. The Group of 77 and China would not consider any proposal aimed at denying any Member State the right to pronounce on the administration of the Organization and to participate in budgetary decisions.

34. Since many of the proposals currently before the Committee were not new, its consideration of them should be consistent with the original intentions of the General Assembly, namely, to strengthen the oversight bodies of the United Nations and enhance the Secretariat's accountability framework. With a view to removing divisive issues from the agenda, the Group of 77 and China urged all delegations to reaffirm their strong belief in the equality of all Member States, irrespective of the size of their financial contributions.

35. With regard to the governance review, he recalled the circumstances in which the Fifth Committee had first taken up the issue of governance and accountability, almost four years previously. Against a backdrop of corporate failures, which had raised serious concerns about the independence of auditors and the commitment of accountants to the ethical standards of their profession, the Board of Auditors had advised the Fifth Committee and the Administration to consider whether current governance principles and practices were in line with best practices. Accordingly, in its resolution 57/278, the General Assembly had called on the Secretariat to undertake a comprehensive review of governance structures, principles and accountability throughout the United Nations system. General Assembly resolutions 59/264 and 60/254 had further defined the scope of that review. The Group of 77 and China therefore regretted the fact that the end product did not respond to the legislative framework set by the Assembly and, furthermore, that it pronounced on matters falling outside its scope. The report of the Steering Committee engaged in generalities and lacked both empirical data and an understanding of the intergovernmental nature and international character of the United Nations.

36. The General Assembly should pronounce on those recommendations that addressed matters falling

within the authority of intergovernmental bodies. However, it had already set out its views on the proposals to limit the participation of Member States in budgetary decision-making and on the proposed changes to the role and mandate of the Committee for Programme and Coordination in resolution 60/260.

37. The Group of 77 and China supported the Advisory Committee's recommendation to strengthen results-based budgeting and management and looked forward to considering the outcome of the proposed study. With regard to the Advisory Committee's observations on the term limits and qualifications of expert committees, the Group took the view that concrete steps should be taken to improve the conditions of service of the members of that particular Committee and to improve secretariat support to all expert committees.

38. The Group of 77 and China reaffirmed its support for the primary oversight role of the General Assembly, as well as for the roles and mandates of JIU, OIOS and the Board of Auditors. The Group was also a strong supporter of efforts to ensure that oversight recommendations were implemented fully. The internal and external oversight structures of the United Nations must remain independent and have unrestricted access to the Assembly.

39. With regard to the terms of reference of IAAC, the Board of Auditors, JIU and OIOS had all stressed the need for further consultations with the Secretariat on various issues. Accordingly, the Group of 77 and China endorsed the relevant recommendations of the Advisory Committee. The members of IAAC, who should be elected by the General Assembly, should embody regional representation.

40. At its fifty-ninth session, the General Assembly had reviewed and reaffirmed the mandate of OIOS, and the Group of 77 and China looked forward to receiving the outcome of the Office's own review, which was aimed at strengthening its capacity to perform monitoring, internal audit, inspection, evaluation and investigation functions. It also welcomed the efforts under way to strengthen self-evaluation by programme managers and the central evaluation function of OIOS.

41. Enhanced accountability would lead to the more effective and efficient use of resources and implementation of mandates. In that connection, the General Assembly had repeatedly called on the Secretariat to define accountability and to propose

parameters and instruments for its rigorous enforcement without exception and at all levels. The Advisory Committee had expressed its support for an in-depth review of the Secretariat's accountability framework. While the Group of 77 and China would have preferred to take action on that issue at the current session, the review should take account of the outcome of the Assembly's consideration of the reform of the system of administration of justice, and should also assess whether relevant mechanisms, systems and processes were effective and robust and whether they provided reliable and quality information to the Secretariat and Member States.

42. As the Advisory Committee had stated, the Secretary-General was responsible for establishing a risk management framework and for managing risk, as well as for the maintenance of an effective internal control regime. Accordingly, responsibility for internal control activities should be clearly assigned and built into the revised accountability framework. The Organization's audit function must evaluate the effectiveness of the internal control regime and of risk management, and the Secretariat's study on those issues should therefore include detailed information on training, support and information system requirements. The Assembly should consider the findings of that study when it discussed the outcome of the proposed review of the accountability framework.

43. In closing, he said that the United Nations was greater than the sum of its parts. It was in the common interest of the membership to ensure that it fulfilled its objectives and operated in an efficient and ethical manner.

44. *Mr. Yousfi (Algeria) took the Chair.*

45. **Ms. Pehrman** (Finland), speaking on behalf of the European Union; the acceding countries Bulgaria and Romania; the candidate countries Croatia, the former Yugoslav Republic of Macedonia and Turkey; the stabilization and association process countries Albania, Bosnia and Herzegovina, Montenegro and Serbia; and, in addition, Iceland, Liechtenstein, Moldova, Norway and Ukraine, recalled that the 2005 World Summit had sent an unambiguous signal that a substantial reform of the Organization's governance and oversight structures and procedures was needed. It was vital not to squander that opportunity, and the Committee should therefore not be distracted by issues on which the General Assembly had already

pronounced itself. The European Union supported the logical approach set out in the Advisory Committee's report, and welcomed the distinction drawn between issues within the purview of the Secretary-General and those subject to the authority of the General Assembly.

46. As the Advisory Committee had recommended, the Secretary-General should further amend the proposed terms of reference for IAAC. He should also submit detailed proposals for adequate funding arrangements to ensure the operational independence of OIOS. With regard to strengthening the results-based approach and accountability, the European Union encouraged the Secretary-General to avail himself of the mechanism of the working group of the United Nations System Chief Executives Board for Coordination in order to lay the groundwork for a study on how to update, improve and institutionalize results-based management within the Organization and how to align and integrate it into the accountability framework. Lastly, while the Secretary-General was responsible for risk management and internal controls, the General Assembly must take action to ensure that the requested study could proceed. In that connection, the European Union fully endorsed the relevant recommendations of the Advisory Committee.

47. It would take time to transform the Organization's governance and oversight structures. Given that the current session was drawing to a close, it might be advisable to defer consideration of the matter to the first part of the resumed session.

48. **Mr. McNee** (Canada), speaking on behalf of the CANZ group of countries (Australia, Canada and New Zealand), said that the issues of governance and oversight were fundamental, since they gave practical form to the proper relationship between Member States and the Secretariat, provided the vehicles for effective decision-making and underpinned confidence in the integrity and quality of the work done with the resources provided by the membership. The review commissioned at the 2005 World Summit offered an uncommon opportunity to assess the situation and make the necessary improvements.

49. Although the Steering Committee's report was not perfect, it highlighted a number of governance gaps and covered a wide range of issues, including internal control, risk management, the functioning of OIOS and the role of audit committees. Member States did not have to agree with every recommendation in the report;

they must be selective and focus on the most important aspects.

50. In that connection, the CANZ group welcomed the approach taken by the Advisory Committee, which had identified five issues for early action. As far as governance was concerned, it was vital to strengthen the results-based approach and the accountability framework. According to the Steering Committee, budgetary inputs were not sufficiently linked to outputs or outcomes, and the Organization lacked robust tools for performance assessment. Cost accounting could make a valuable contribution in that regard, and he would be grateful for an update on the status of the long overdue study on that issue. The CANZ group was also concerned that results-based budgeting was in danger of becoming a paper exercise rather than a management tool. Results-based management provided the basis for greater transparency and more effective budgetary decision-making, and should therefore be strengthened. The accountability regime must also be improved by, inter alia, taking the necessary steps to ensure that staff, particularly those holding senior positions, were held accountable for performance. It was also important to ensure that Member States had a clear picture of how their financial contributions were being used.

51. The Steering Committee's report addressed in some depth the issue of oversight. In particular, it pointed to the ambiguity in the division of responsibility between OIOS and management for implementing internal controls. Management should be responsible for that task and, furthermore, the Secretary-General had an obligation to review the adequacy of such controls. At the current session, the Secretary-General should be asked to submit proposals on the introduction of systematic, Organization-wide risk assessments.

52. The perception of OIOS as an external rather than an internal audit entity must be laid to rest. The Office was part of the Secretariat, worked under the authority of the Secretary-General and was responsible for supporting the latter's efforts to improve management. While OIOS would retain the ability to report to the General Assembly and Member States would continue to have access to its reports, those measures should not interfere in any way with the close partnership with executive management required by an effective internal audit function.

53. It was also time to implement the operational independence of OIOS so that it could respond to risks as and when necessary and so that it would no longer have to negotiate resource requirements with the subjects of its oversight activities. However, although the Steering Committee had recommended major structural changes to the Office, the CANZ group, like the Advisory Committee, saw merit in retaining within OIOS those elements requiring independence of thought and action.

54. With regard to IAAC, he stressed the importance of establishing a small, highly expert body and of devising a mechanism to validate qualifications. While the terms of reference prepared by the Secretary-General and broadly endorsed by the Steering Committee were comprehensive, significant ambiguities remained over how operational IAAC would be with respect to the Board of Auditors and OIOS. In view of the concerns recently expressed by the Board, those uncertainties must be resolved as soon as possible, and it might therefore be advisable for the Secretary-General to submit revised terms of reference clarifying the advisory role of IAAC.

55. In closing, he said that the breadth and complexity of the items relating to governance and oversight should not deter the Committee from taking action wherever possible.

56. **Mr. Talbot** (Guyana), speaking on behalf of the Rio Group, expressed support for efforts to strengthen results-based budgeting and management. He looked forward to receiving concrete proposals to that effect. Further efforts must also be made to strengthen accountability at all levels and without exception.

57. The Rio Group endorsed the Advisory Committee's recommendation concerning the terms of reference for IAAC and took note of the comments of the Board of Auditors, JIU and OIOS. IAAC must embody equitable geographical representation and, to that end, the Latin American and Caribbean countries stood ready to participate in it.

58. He echoed the remarks made by the representative of South Africa on the proposal to vest budgetary decision-making in a small but representative group of Member States. Multilateralism at the international level was a corollary to national democracy and, accordingly, the sovereign equality of Member States was paramount.

59. The Rio Group fully supported the strengthening of oversight within the United Nations, and recognized the primary oversight role of the General Assembly. Programme managers must implement oversight recommendations with the utmost care and urgency, and the Assembly should be able to monitor and receive information on the implementation status of such recommendations. Furthermore, the Board of Auditors, JIU and OIOS should be able to interact and exchange information as appropriate.

60. Lastly, careful consideration should be given to the proliferation of panels and expert companies employed to deal with matters within the purview of established oversight bodies. In that respect, the United Nations differed significantly from commercial entities in that it had been conceived as a non-profit-making organization dedicated to the promotion of development, peace and security and human rights.

61. **Mr. Kodera** (Japan), speaking on agenda items 47 and 113, said that hasty decisions on important governance and oversight matters would not serve the best interests of the Member States or the Organization. The outcome of the current discussions would have long-term implications. His delegation believed that the views of the Advisory Committee provided a good basis for the Fifth Committee's deliberations and agreed that early decisions were needed on five issues. Additional information from the Secretary-General on a number of matters would facilitate the debate in progress.

62. **Mr. Wallace** (United States of America), welcoming the reports on governance and oversight, expressed regret that, given their importance, they had been issued so late in the session. It had been recognized at the 2005 World Summit that an efficient, effective, transparent and accountable Secretariat was needed in order to comply effectively with the Charter of the United Nations. The reports before the Committee proposed a variety of measures designed to improve management and oversight, which merited careful review. The Committee must expedite its consideration of the proposals with a view to achieving some tangible results by the end of the current session.

63. With regard to the report of the Steering Committee on the Comprehensive Review of Governance and Oversight within the United Nations and its Funds, Programmes and Specialized Agencies, his delegation shared some of the concerns set out in

the ACABQ report (A/61/605) regarding the organization and presentation of and analytical basis for a number of the Steering Committee's key recommendations. Nonetheless, it welcomed the report, which contained some useful ideas. In accordance with the Advisory Committee's recommendations, the Committee must take prompt action to finalize the mandate, composition, selection process and qualifications of experts of IAAC. His delegation shared the concerns expressed by ACABQ about the size of IAAC and the advisory rather than operational character of its functions. It also supported prompt approval by the General Assembly of revised terms of reference for IAAC so that the latter could begin its work as quickly as possible.

64. His delegation endorsed the ACABQ recommendation for expedited consideration of proposals to ensure the operational independence of OIOS and agreed that the Secretary-General should prepare a plan in that regard, drawing on the experience gained from existing cost-sharing mechanisms. It further agreed that stricter attention should be paid to monitoring progress on the implementation by management of the recommendations of all oversight bodies. The General Assembly, as the supreme oversight body of the United Nations, should play a more active role in ensuring that programme managers implemented recommendations and should follow up on cases of non-implementation.

65. His delegation agreed with ACABQ that any changes to the organization and structure of OIOS should be considered in the light of General Assembly resolution 48/218 B, which had established OIOS and defined its responsibilities, and that the core functions of the Office should be maintained, with the exception of the management consulting function. It also supported the recommendation that OIOS should receive adequate funding for the provision of its services.

66. His delegation looked forward to prompt and decisive action to strengthen the United Nations governance and oversight systems, which would help build a culture of integrity and accountability within the United Nations and empower the Secretariat to carry out the decisions of the General Assembly as efficiently and effectively as possible.

67. **Ms. Zobrist Rentenaar** (Switzerland) said that her delegation was concerned that the reports in

question had been introduced before the Committee only days before the end of the main part of the session, even though all except the Advisory Committee's report had been available as far back as August 2006. While the Advisory Committee should have given priority to the review of governance and oversight in its programme of work, its report on those issues had provided useful structure and strategic focus and had considerably facilitated the work of the Committee.

68. With so little time remaining to the Committee, it might not even have the opportunity to address the five issues which the Advisory Committee had identified for early discussion. It could perhaps realistically hope only to determine what further reports might be required for consideration at the first part of the resumed session and to examine matters which required no action on its part because an existing or imminent decision of the General Assembly placed them within the prerogative of the Secretary-General. The Committee must decide on a strategic focus in order to avoid becoming enmeshed in detailed discussion of issues which it had no need to consider.

69. In connection with one of the priority issues — strengthening of the internal control framework and the related application of risk management — her delegation shared the Advisory Committee's view that analysis should be viewed not simply as a reporting exercise, but as an essential step towards the development of an accountability culture and the strengthening of the administrative processes of the United Nations. It also agreed with the Advisory Committee that Steering Committee governance recommendation 4, regarding the procedures of the Fifth Committee, did not merit further consideration; that governance recommendation 5 on the Committee for Programme and Coordination should be taken up as part of the review referred to in General Assembly resolution 58/269; and that oversight recommendation 4 on the Joint Inspection Unit must be viewed in the light of the ongoing process of reform and review of the Unit.

70. While her delegation appreciated the comprehensive updated terms of reference for the Independent Audit Advisory Committee, a comprehensive framework that could be built on in the future would have been more useful. It therefore favoured further streamlining the updated terms of reference based on the assumption that IAAC was to be

an advisory body with limited operational functions. The added value which IAAC brought would depend crucially on the expertise of its members, who must be selected — as the Advisory Committee had pointed out — on the basis of clear and verifiable qualifications, with pre-screening by an external body or consultant in the interests of ensuring their independence.

71. Having reviewed the Steering Committee's recommendations for strengthening the role of the Office of Internal Oversight Services, particularly from the point of view of ensuring financial independence, her delegation trusted that the Secretary-General, after consultation with OIOS, would put forward a detailed proposal for the Committee to discuss at the first part of the resumed session. While the Steering Committee had made no recommendations to remedy the shortcomings in coordination and cooperation between oversight bodies in the United Nations system, her delegation called for one oversight entity to carry out integrated audits and evaluations on behalf of all participating entities. It echoed the Advisory Committee's recommendation that the General Assembly should request the Secretary-General, as Chairman of the Chief Executives Board for Coordination, to propose how to address that issue. The General Assembly should also determine which organizations OIOS internal audit services should cover.

72. **Mr. Hussain** (Pakistan) said that the Charter of the United Nations defined a unique governance structure and determined the authority and role of the Secretary-General, as the Organization's chief administrative officer, and of the Member States, which had a relationship of sovereign equality unrelated to their financial contributions.

73. Despite some major deficiencies, the recommendations of the Steering Committee provided a reasonable basis for further discussion of the necessary governance and oversight reform, of the division of the roles of Member States and management, and of improving efficiency and accountability. While not ideal, the Organization's existing planning, evaluation and direction-setting arrangements could be made efficient and effective with gradual reform. The Member States, through the General Assembly and its Main Committees, and with the advice of expert and advisory committees, set policies and held management accountable. The need

was more for fine-tuning than for the major overhaul proposed in the reports on governance and oversight.

74. While the Steering Committee's analysis of gaps in governance and oversight were useful, some of its observations regarding the General Assembly's deliberations on administrative and financial matters were politicized. Lessons should be learned to avoid repeating the acrimonious debate which had led up to the General Assembly's adoption of resolution 60/260 on investing in the United Nations: for a stronger Organization worldwide, and its rejection of the establishment of groups of Member States to take decisions on administrative and budgetary matters. While the expert and advisory committees' working methods must be improved, there must be no major change which undermined their roles or that of the Fifth Committee.

75. His delegation had long advocated strengthening the overall accountability of the executive management of the Secretariat and believed that the Steering Committee recommendations on qualifications-based criteria for the appointment of members of expert and advisory committees, on disclosure of financial interests by executive management, on procurement officers and independent advisers, on results-based management, on ensuring that senior appointments were made on the basis of transparency and merit and on improving coordination between the Committee for Programme and Coordination, the Advisory Committee and the Fifth Committee deserved due attention and support.

76. The Office of Internal Oversight Services had fulfilled its monitoring, internal audit, inspection and evaluation functions very well. Its financial and operational independence must be upheld, and it must not simply become a management tool for the Secretary-General. Contrary to the Steering Committee's recommendation, its budget should not be presented to the Member States after review by the Independent Audit Advisory Committee, which should have no discretion over the budgets of either OIOS or the Joint Inspection Unit, a body which it had recommended discontinuing without suggesting what should take its place. The role of IAAC — which should be a five-member, elected body — must be to advise the Member States and management on how to improve the role of the oversight bodies and make them more objective.

77. While the Committee had little time left in which to address its heavy agenda, making in-depth discussion of the governance and oversight review unlikely, it should be possible to draw up a short, focused resolution inspired by the Advisory Committee recommendations to launch the discussion. Further reports on accountability and budget implementation, as well as revised terms of reference for IAAC, should be made available for consideration at the first part of the resumed session.

78. **Mr. Golovinov** (Russian Federation) said that it was unfortunate that the reports in question had been introduced before the Committee within a week of the scheduled end of the main part of the sixty-first session, leaving little time to examine their proposals and recommendations or to take balanced decisions on them. However, his delegation took the view that it must be assumed, when considering the recommendations of the Steering Committee, that the Price WaterhouseCoopers consultants had taken their main inspiration from best management practice in major corporations. As a result, the Code of Governance proposed for adoption system-wide was simply out of step with the realities of the Organization. Consequently, the Code must be considered with a critical eye to see what could be applied to the Organization and what could not. For example, the goal of the studies was not to provoke a revision of past decisions of the General Assembly, most particularly its resolution 60/260. The recommendation that the Fifth Committee should become an expert body with a restricted membership was out of place and should not be further contemplated.

79. The Independent Audit Advisory Committee must be independent of the Secretariat, in other words, independent of the Organization's management, which would be the target of its advice. For that reason, the Secretary-General must not be involved in the appointment of its members. The Committee must work to ensure that the selection process produced qualified, world-class, professionals. His delegation did not believe that IAAC would make the Joint Inspection Unit obsolete, as that entity had a different function. The establishment of IAAC must not be lent too much significance; while it was an important expert body, it was by no means a central element of reform.

80. His delegation was also concerned that the recommended radical reform of OIOS went against the original intended purpose of that Office as something more than an internal audit department. Apart from audit activities, it fulfilled investigation, inspection and programme evaluation functions. Indeed, OIOS had been quite critical of the consultants' recommendations in its own report (A/60/901), pointing particularly to the risk of a conflict of interest if the recommendation to pass its investigation functions to the Office of Legal Affairs was carried through. The recommendations of OIOS itself, of JIU and of the Advisory Committee on the matter of ensuring the independence of OIOS deserved detailed consideration.

81. **Mr. Sul** Kyung-hoon (Republic of Korea), regretting that there would be very little time at the main part of the current session for meaningful discussion of the important issues raised, said that, while his delegation had hoped for an early decision on some of the priority issues put forward by the Advisory Committee, the Committee should opt to leave open the possibility of deferring its debate to the first part of the resumed session.

82. His delegation had long supported results-based budgeting and management, as those concepts were vital to ensure efficient and effective use of resources. It agreed with the Advisory Committee that results-based management must be strengthened at all levels of the Organization. For that goal to be achieved, senior management must show commitment and leadership. It agreed on the need to identify best practices, making use of expertise from throughout the United Nations system.

83. His delegation had also long advocated greater accountability at executive management levels of the Secretariat and felt that serious consideration should be given to the Steering Committee's recommendation that the Secretary-General should set up an executive management committee. As real accountability required a system of sanctions for underperforming senior managers, it also supported formal and transparent performance evaluations.

84. As risk management in the Organization lacked clear lines of responsibility, a risk management framework must be set up and stronger internal controls must be established. These would help to promote a culture of accountability and better administration. An Independent Audit Advisory

Committee would serve as a cornerstone of oversight within the Organization. His delegation agreed with the Advisory Committee that the Secretary-General should be requested to provide revised terms of reference for that body. It also joined the Advisory Committee in urging the Secretary-General and the Under-Secretary-General for Internal Oversight Services to consider the Steering Committee's recommendations regarding OIOS, and work to ensure that it was able to fulfil its responsibilities.

85. **Mr. Sach** (acting Under-Secretary-General for Management) said that the Committee appeared to support maintaining the momentum of the reform begun in September 2005. The recommendations of the Advisory Committee, and the Member States response to them, also helped to clarify positions on reform issues. In particular, the Secretariat concurred with the Advisory Committee that there was no merit in further considering governance recommendation 4, relating to the role of Member States and the operation of the Fifth Committee, in the light of General Assembly resolution 60/260.

86. While it was true that a number of the reports on governance and oversight had been available since July 2006, the time devoted to them since then had helped to build consensus regarding difficult matters. If the Committee, on the basis of the Advisory Committee's recommendations, opted to develop a brief resolution focusing on a few key issues, the Secretariat must follow up that action by submitting, at the first part of the resumed sixty-first session, a report including revised terms of reference for IAAC, superseding those contained in document A/60/846/Add.7, and information on the outcome of ongoing consultations with OIOS regarding the latter's budgetary independence. The matter of providing OIOS with adequate resources had already been addressed in revised estimates to the programme budget for the biennium 2006-2007, contained in the report of the Secretary-General on the strengthening of OIOS (A/61/610). That report had not yet been introduced before the Committee, and would be submitted shortly to the Advisory Committee. Also on the basis of the recommendations of the Advisory Committee, the Secretariat must prepare further reports on results-based management, enterprise risk management and an accountability framework. As they would require recourse to outside expertise, they were unlikely to be

available in time for the first part of the resumed session, however.

87. **Mr. Saha** (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that the Advisory Committee was encouraged by the support expressed for its recommendations on the governance and oversight reports.

88. **Ms. Ahlenius** (Under-Secretary-General for Internal Oversight Services), speaking via videoconference, said that she welcomed the Committee's interest in and support for improving accountability and oversight in the Organization. She was particularly pleased to hear that the Committee attached great value to ensuring the operational and financial independence of OIOS.

89. **Ms. Wynes** (Chairperson, Joint Inspection Unit) said that she welcomed the Committee's comments on JIU-related issues, and its readiness to consider the JIU report on oversight lacunae in the United Nations system (A/60/860) and the JIU comments on the report of the Steering Committee (A/60/1004), as well as the reservations which JIU had expressed regarding the views of Price WaterhouseCoopers and the Steering Committee.

*The meeting rose at 12.20 p.m.*