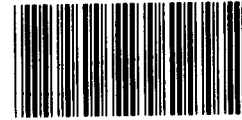


National Security and
International Affairs Division
B-250895

October 19, 1992

The Honorable Lawrence Eagleburger
The Acting Secretary of State



147808

Dear Mr. Secretary:

We take note that the United Nations (U.N.) has an initiative underway looking into the concept of developing a central audit and evaluation authority. Because we have long supported this concept and have been instrumental in establishing many of the U.S. federal Inspectors General offices, we feel that our expertise in this area could assist the United Nations in its effort.

As a result of our continuing work on U.N.-related issues, we recently (1) reviewed the structures and certain operational aspects of the internal and external audit and evaluation units within the U.N. system and (2) examined whether a central authority might improve the effectiveness of the current U.N. system of audit and evaluation. We excluded the United Nations' specialized agencies from the scope of our review because, unlike the U.N. system that is under the control of the General Assembly, the specialized agencies operate under the auspices of their own individual governing bodies. We would like to share the results of our review with you and request that you consider sharing them with the appropriate U.N. officials.

Our review revealed that the current U.N. internal and external audit and evaluation structures (4 internal and 2 external units) do not ensure program accountability or provide member states with adequate oversight of the United Nations' finances and operations. Although some improvements have been made over the past few years to address some system deficiencies, significant problems remain. These include

- fragmented audit and evaluation functions that at times result in duplication of effort and at other times produce gaps in audit and evaluation coverage;

GAO/NSIAD-93-72R U.N. Audit and Evaluation

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- internal audit and evaluation units that lack independence;
- external audit and evaluation mechanisms that are ineffective because of frequent turnover in staff and an inability to routinely perform systems-based audits;
- internal control mechanisms that are inadequate; and
- weak reporting and follow-up systems.

Enclosure 1 provides detailed information on each of these problems.

In addition to these problems, the United Nations lacks a common set of accounting principles and standards. Because the various organizations audited by the Board of Auditors applies different accounting principles and standards, the Board has experienced problems preparing and reporting the United Nations' financial position in a format that member states can easily understand. Enclosure 2 provides additional details on how the lack of common accounting principles and standards has affected the United Nations' management and the member states' ability to obtain more complete information upon which to make informed decisions on the allocation of resources.

We believe that if the existing internal and external audit and evaluation structures were centralized under an independent, central audit and evaluation authority, the United Nations could resolve many of these problems. Suggesting this approach for making the audit and evaluation mechanisms more effective is not new. It was proposed over 30 years ago by a former Secretary General, in 1979 by Canadian consultants to the Auditor General of Canada, throughout the 1970s and 1980s by us, and more recently, in 1991 by the U.S. permanent representative to the United Nations before the Fifth Committee.¹

We believe that by consolidating the current fragmented resources, the United Nations would be able to more efficiently direct resources for more effective audit and evaluation coverage of its programs and operations. A centralized audit and evaluation authority would replace existing internal audit and evaluation functions of the Secretariat with an independent and more visible

¹The Fifth Committee, one of seven committees of the General Assembly, deals with U.N. administrative and budgetary questions.

organization. The central audit and evaluation authority would be responsible for several central functions including conducting and supervising audits, evaluations, inspections, and investigations. The central audit and evaluation authority should have the authority to submit budget and resource requests as well as select, appoint, and employ the necessary staff. The office would (1) promote the implementation of the common auditing standards adopted by the International Organization of Supreme Audit Institutions and internal control standards throughout the U.N. system, (2) strengthen follow-up mechanisms to ensure more responsiveness to audit and evaluation recommendations, and (3) prescribe and ensure the use of standardized accounting principles and accounting standards by U.N. bodies.

Concurrent with the establishment of a central audit and evaluation authority, the role of the Board of Auditors should be changed from one of actually conducting the audits to one of overseeing the activities of an audit and evaluation authority on behalf of the General Assembly. The committee would function similar to the audit committee of the board of directors in both the private and public sectors. This change would enable member states to participate in the work of the Board of Auditors without necessarily having to supply staff to carry out the audit work. The oversight responsibilities of the Board of Auditors would need to include reviewing audit and evaluation plans, monitoring internal controls of the United Nations' operations and programs, and reviewing financial statements and important accounting policies.

Enclosure 3 provides a conceptual framework outlining how an independent, central audit and evaluation authority could be established, and what its duties, responsibilities, and operating authority would be. We believe that the establishment of an independent, central audit and evaluation authority should be accomplished through a resolution adopted by the General Assembly to create the mandate for the office. The head of the office should be appointed by the U.N. Secretary General and confirmed by the General Assembly.

Other organizations reviewing the U.N. internal and external audit and evaluation units and most U.N. officials that we interviewed in the course of our work agreed that an independent, central audit and evaluation authority would (1) provide member states with more oversight and (2) make the United Nations more accountable for its finances and operations.

Some that we spoke with suggested that the centralization be implemented in the following three phases:

- First, all audit and evaluation offices, with the exception of the Joint Inspection Unit and the specialized agencies that currently carry out similar responsibilities, should be transferred to this unit.
- Second, after the central audit and evaluation authority has been established, the Joint Inspection Unit should be transferred to it.
- Third, the concept should be proposed to the governing bodies of the specialized agencies and, if accepted, deputies to the central audit and evaluation authority for these agencies should be established to ensure that uniform standards are being applied and that the United Nations is properly informed of the specialized agencies' audit and evaluation activities.

The details of the scope and methodology of our review are contained in enclosure 4. If you have any questions concerning this letter, please call me at (202) 275-5518. Other major contributors are listed in enclosure 5.

Sincerely yours,



Frank C. Conahan
Assistant Comptroller General

U.N. INTERNAL AND EXTERNAL EVALUATION
STRUCTURES ARE DEFICIENT

The current U.N. internal and external audit and evaluation structures do not ensure program accountability or provide member states with adequate oversight of the United Nations' finances and operations. Some improvements have been made in the United Nations' audit and evaluation standards and procedures over the past few years, but significant problems remain.

FRAGMENTED AUDIT AND EVALUATION
FUNCTIONS PREVENT EFFICIENT AND
EFFECTIVE AUDITS

Several units are responsible for conducting the audits and evaluations of the U.N. system. These include the Internal Audit Division, the Central Evaluation Unit, the Central Monitoring Unit, and the Management Advisory Service, all within the Department of Administration and Management at the U.N. Secretariat. The Board of Auditors and the Joint Inspection Unit are organizationally located outside the Secretariat and report directly to the Secretary General and the General Assembly.

The number of units that perform audits and evaluations of the U.N. programs and operations has led to a general fragmentation of the system. For example, a 1992 report on program evaluation at the United Nations stated that six organizational entities, other than the Central Evaluation Unit, have established posts whose primary function is evaluation. Additionally, other units, such as the Internal Audit Division and the Board of Auditors, are expanding their roles to include evaluation of the United Nations' program management and performance. According to a high-level U.N. official, the overlap of these roles has fragmented and defused responsibility.

Our recent studies, and reports by other organizations on five of the six audit and evaluation units that we reviewed, concluded that the allocated resources for the

units are insufficient.² Additionally, directors of the Board of Auditors stated that its resources are inadequate to effectively and efficiently perform its functions. As a result, there are gaps in coverage and reporting. For example, because of constrained resources, major reviews of budgetary and financial controls of Geneva-based activities have not been performed for years by the Internal Audit Division.

Fragmentation of audit and evaluation functions also contributes to a lack of coordination between units. For example, in 1980 we reported weaknesses in coordination between the Joint Inspection Unit, the U.N. system internal review groups, and the external auditors.³ Our report concluded that some duplication had occurred because the Joint Inspection Unit did not effectively coordinate its work plans with other review groups, and a potential for future duplication existed. U.N. officials stated that these weaknesses still have not been corrected and that the Joint Inspection Unit is generally ineffective.

Our previous reports and those of other organizations recommended that the United Nations' audit and evaluation units be strengthened by an allocation of additional resources and by the coordination of U.N. efforts. The coordination of efforts would have (1) avoided duplication and omissions in coverage and (2) brought together different approaches to help enhance organizational effectiveness. The Secretariat has done

²Progress to Strengthen U.N. Internal Evaluation Systems Has Been Slow (GAO/NSIAD-87-54, Jan. 14, 1987); More Can Be Done to Strengthen the U.N. Joint Inspection Unit (GAO/NSIAD-86-141, June 17, 1986); Improving Financial Management in the United Nations by Strengthening Audits and Evaluations (GAO/ID-79-56, Sept. 24, 1979); Report of the Board of Auditors to the General Assembly (1992); Report of the Joint Inspection Unit (1991); and Follow-Up Report on the Management Advisory Service of the United Nations (1991).

³Improving the Management and Coordination of Reviews, Inspections, and Evaluations in the U.N. System (GAO/ID-81-11, Nov. 19, 1980).

little to address the findings or implement the recommendations.

INTERNAL UNITS LACK INDEPENDENCE

Independence is the cornerstone of effective audit and evaluation activities. The standards used by the International Organization of Supreme Audit Institutions define independence as "the freedom ... in auditing matters to act in accordance with its audit mandate without external direction or interference of any kind." However, the internal units are not completely independent of the Secretariat staff or line management.

For years, the Internal Audit Division has been criticized for not being independent of its administering units. For example, the Group of 18,⁴ a group of high-level intergovernmental experts, conducted a review of the efficiency of the United Nations' administrative and financial functioning. In 1986, the group proposed 71 recommendations to the General Assembly, one of which stated that the internal audit function should be separated administratively and be independent from the function of implementation and reimbursement of funds. Nonetheless, we found that the division still conducted the audits of and reports to the heads of its administrative units.

More recently, the 1992 Board of Auditors report to the General Assembly stated that the U.N. administration allowed internal audit staff membership in committees and organizations that were created and established primarily to serve and foster the personal interests of U.N. staff such as recruitment, promotion, and grievance committees. The Board stated that memberships in these committees or organizations exposed the internal auditors to potential conflicts of interest, because they have access to all

⁴Responding to the 1985 Kassebaum-Solomon Amendment, the U.N. General Assembly established the Group of 18 to review the efficiency of the United Nations' administrative and financial functioning. The Kassebaum-Solomon Amendment sought to achieve management reform in the United Nations by withholding a percentage of U.S. contributions.

records, documents, and information that may be considered confidential or restricted.

The degree of independence of the Management Advisory Service has been questioned by the Joint Inspection Unit. The Management Advisory Service was established as the internal management consulting group in the U.N. Secretariat responsible for identifying management problems or areas requiring management improvement. The unit was to study and report on the problems to the Under-Secretary General for Administration and Management and other appropriate officials and make specific recommendations on the actions required. A 1991 Joint Inspection Unit report on the Management Advisory Service concluded that the service had not been allowed to function as envisaged by the General Assembly. Specifically, the service has not remained an independent entity, but rather it has been merged with other units and displaced with other services. The service has also lost the lead role that a unit of this kind should exercise in the United Nations.

EXTERNAL AUDIT AND EVALUATION
MECHANISMS ARE INEFFECTIVE

Under the current system, the external audits of the United Nations are conducted by the Board of Auditors. The Board of Auditors is composed of the Auditors General or equivalents of three member states. Members of the Board are elected by the General Assembly for a 3-year term, with one member's term expiring each year. The audit staff is selected by each of the Auditors General on the basis of qualifications and experience. The United Nations provides approximately 85 percent of the audit staff's budget, and the remaining 15 percent is paid by the audit staffs' respective countries.

Over the years, the limited Board membership and lack of continuity in the audit staff have had an adverse effect on the external audits. In 1976, a Canadian consultant study recommended that the role of the Board of Auditors be changed from that of actually conducting the audit to that of acting as an audit committee on behalf of the General Assembly. This change would enable member states to participate in the work of the Board of Auditors without necessarily having to supply staff to carry out

the audit work. The consultant's report also recommended that an Auditors General's Office be established to conduct the audits of the U.N. system. The Auditor General would select qualified audit staff and conduct systems-based audits of the United Nations in accordance with an audit plan approved by the Board of Auditors.⁵

In response to the consultant's recommendations, the United Nations established in 1976 the Audit Operations Committee, which consists of a Director General and three Directors of Audit Operations. The committee reviews the audit plans of the Board of Auditors and the Internal Audit Division. The committee also jointly reviews the reports issued by the audit staff. The Canadian consultants issued a follow-up report in 1979, which concluded that there still was a basic contradiction between the United Nations' need for systems-based auditing and the ability of the Board of Auditors to supply it under present arrangements. To date, this situation has remained essentially unchanged.

U.N. systemwide investigations and evaluations are conducted by the Joint Inspection Unit. The Joint Inspection Unit was established as the only independent U.N. body with broad authority throughout the U.N. system to perform investigations and evaluations and to make findings and recommendations available to member states. However, in 1986 we reported that the Joint Inspection Unit's effectiveness was limited by several factors, including

- limited written review and reporting standards and procedures,
- appointed inspectors who lack experience in the inspection and evaluation fields,
- ignored recommendations, and

⁵Systems-based audits comprise assessments of the adequacy of systems in contributing to the economical, efficient, and effective expenditure of resources.

-- the unit's failure to develop a multiyear work program to identify high-priority issues.⁶

According to U.N. officials, the deficiencies identified in our 1986 report still remain. In 1988, the Joint Inspection Unit issued its eighth report dealing with evaluation in the United Nations. Most of the previous reports showed that the United Nations had fallen far behind other organizations in using evaluation information to assess performance and improve decision-making. The Unit's 1988 report concluded that little had changed. The Joint Inspection Unit once again issued a follow-up report in 1992 that contained many of the reoccurring recommendations from the previous reports. The Secretariat response in the 1992 report was that it had no mandate to pursue the Joint Inspection Unit's recommendations or other significant changes any further. It was up to the intergovernmental bodies to pursue a course of action.

U.N. officials told us that little attention is given to the Joint Inspection Unit report findings and management is slow in implementing the recommendations. In 1991, the Joint Inspection Unit issued an annual report to the Secretary General and the General Assembly on recommendations that had not been implemented. The report contained over 30 recommendations. According to U.N. officials, the recommendations have not been implemented to date.

INTERNAL CONTROL MECHANISMS ARE INADEQUATE

Internal controls make the commission of wrongful acts (characterized as fraud, waste, and abuse) more difficult. According to the U.S. Comptroller General's Standards For Internal Controls In The Federal Government, establishing and maintaining an internal control structure is an important management responsibility. Good internal controls are essential to achieving full accountability for the resources made available.

⁶More Can Be Done to Strengthen the U.N. Joint Inspection Unit (GAO/NSIAD-86-141, June 17, 1986).

Our review of the Board of Auditors' reports from 1990 to 1992 identified a number of the findings resulting from inadequate internal control procedures that, in some cases, caused substantial losses to the organization. For example, the 1992 report revealed that an Economic Commission for Africa officer had overridden established accounting controls and procedures and misappropriated or diverted Economic Commission for Africa funds of at least \$125,000. According to the report, because of weak internal controls and apparent laxity or indifference on the part of the officer's immediate colleagues, these irregularities continued for a long period without being questioned. In another case, loss of vehicles costing \$119,850 by one of the nongovernmental organizations was not reported to the Headquarters Property Survey Board as required. Expectations that the vehicles could be recovered had not materialized by the time the Board of Auditors conducted the audit.

A U.N. official has developed a set of internal control standards on the basis of the U.S. federal government standards for internal controls. The official has been trying to promote these standards for some time but said that U.N. management has been reluctant to adopt them.

The United Nations Lacks Effective
Mechanisms to Detect or Deter Fraud

The United Nations Finance Manual requires that all cases of fraud or presumptive fraud of which the Administration is aware are to be communicated to the Board of Auditors with appropriate details and indication of the course of action taken. However, in the opinions of U.N. officials, the United Nations does not effectively handle cases of fraud or presumptive fraud.

The 1990 Board of Auditors report disclosed losses of cash and property arising from fraud or presumptive fraud involving U.N. staff members ranging from falsification of records for personal advantage to theft of U.N. property. The 1992 report contained similar findings. Losses to the organization reported in the two biennium reports totaled more than \$600,000 in reported fraud or presumptive fraud cases. The Board of Auditors noted that the recovery of moneys involved in the reported cases have, in some instances, been fully made. However,

as a result of the slow administrative procedures, a large number of the cases are still pending further review and final determination.

According to U.N. officials, the current audits and evaluations are not oriented toward the detection of fraud. Additionally, cases are reported to a variety of sources, usually department heads, depending on the nature of the fraud. Member states are informed of cases of fraud or presumptive fraud through the Board of Auditors reports that are issued every 2 years. In some cases, the fraud was detected years before member states were informed of the situation. For example, the 1990 report disclosed that 116 cases of presumptive income tax reimbursement fraud took place during 1983-84; 50 involved a total amount established at \$171.6 million. This information was disclosed in a biennium report by the Board, which was issued in 1990. At that time, 61 additional cases were still being investigated. The Board's 1992 report cited seven cases of theft or misuse of U.N. property and funds during 1990-91.

REPORTING AND FOLLOW-UP
MECHANISMS ARE WEAK

Member states rely on the audit and evaluation reports to obtain information on program administration and performance for effective oversight of the U.N.'s finances and operations. Under the current system, audit and evaluation results are usually reported to the General Assembly every 2 years. While some interim reports are issued by some units on certain issues, most do not include audit opinions or recommendations. Member states can also request the status of particular recommendations throughout the biennium but are not allowed to obtain internal audit reports.

In 1985, the Fifth Committee expressed concern at the almost total lack of information on the past performance of the United Nations' programs. The Secretariat promised to provide much clearer, more extensive and more analytical information on program quality and results in the future. But a 1988 Joint Inspection Unit report revealed almost no progress.

In an address before the U.N. Fifth Committee in 1991, the U.S. permanent representative to the United Nations expressed his dissatisfaction with the current audit and evaluation mechanisms. Specifically, he stated that the U.N.'s evaluation mechanisms that have evolved over the past two decades are flawed and do not provide the analysis and information required for good budget decisions. He recommended that an Office of Inspector General be created to replace the existing audit and evaluation structures. The U.S. representative proposed that the Inspector General have the authority to report directly to the Secretary General and the General Assembly on all aspects of program and financial management. He indicated that the reports would help determine whether all programs were achieving their objectives in the most efficient manner possible. He concluded that the Inspector General also would act for member states to ensure that waste, fraud, and mismanagement were not permitted in the Secretariat.

THE UNITED NATIONS LACKS COMMON ACCOUNTING
PRINCIPLES AND STANDARDS

The United Nations' Finance Manual requires that the Board of Auditors express and sign an opinion on the financial statements that shall state, as appropriate, whether "the accounting principles were applied on a basis with that of the preceding financial period." Currently, there is no definition of what constitutes "generally accepted accounting principles" within the United Nations system. Further, there is not a common set of accounting principles and standards in practice, or even a common interpretation of accounting terminology that is consistently applied either between organizations or, in some cases, within the same organization.

The absence of accounting principles and standards common to the United Nations system has led to differences in such matters as the consistent accounting treatment of material transactions. As a result, member states and other users of the accounts of the United Nations have difficulties making comparisons between one United Nations organization and another.

Further, the lack of common standards has created particular problems for external auditors, and on several occasions there have been disagreements between auditors and the officials of the audited organizations. According to one director of external audits, a significant audit finding had to be withdrawn because there was no accounting standard by which to measure the transaction or event being evaluated.

In 1991, 14 members of the U.N. Panel of External Auditors were commissioned with the task of working with external independent experts to develop a set of common accounting standards for the United Nations. In February 1992, the group issued an interim report on the status of the work of the group. In developing the standards, the group drew upon 11 standards of the International Accounting Standards Committee. Our analysis of the procedures used to develop these standards showed that the working group did not consult with external independent experts as instructed and the applicability guidance seems to provide a significant amount of flexibility.

The main problem to be addressed in developing a set of accounting principles and standards for application in the U.N. system is the need to devise an appropriate framework for them. This framework should allow member states and donors of extrabudgetary funds to easily interpret the U.N.'s financial statements.⁷ Our analysis of the current U.N. financial statements showed that the format and style of the financial presentation was difficult to understand.

In 1989, the U.S. Assistant Secretary of State for the Bureau of International Organizations Affairs introduced a Unitary United Nations concept to the Geneva Group.⁸ This concept is intended to give coherence and rationality to the U.N. system. The concept proposes the establishment of an accounting structure that monitors budget resources by functional area to allow greater transparency of the organizations' budgets. This structure would provide member states with more complete information to more informed decisions on their allocations of resources. Additionally, the concept recommends greater commonality or standardization in the United Nations' financial reporting systems to allow member states to detect inefficiency by better distinguishing between operating expenses and program costs.

At the time of our review, the United Nations had not adopted common accounting principles and standards. Additionally, the organization had made no effort to develop or promote a common financial reporting system.

⁷The United Nations' "extrabudgetary resources" are funds from all sources other than those received from assessed contributions and revenue-producing activities.

⁸The Geneva Group was formed in 1964 to influence budgetary control and management improvement in the U.N. specialized agencies. The group consists of 11 member states, including the United States.

A CONCEPTUAL FRAMEWORK FOR AN
INDEPENDENT, CENTRAL AUDIT AND EVALUATION AUTHORITY
FOR THE UNITED NATIONS

BACKGROUND

An independent central audit and evaluation authority is a vehicle for ensuring that an organization's programs are accomplishing their intent and properly utilizing their allotted resources. It is also a vehicle by which managers are held accountable for the efficient and effective operation of programs they manage and the proper administration of the funds they control.

Based on the audit findings discussed in this report, previous recommendations by the United States and Canada, and the successes of the U.S. Inspectors General offices, we have developed a conceptual framework for an independent U.N. central audit and evaluation authority incorporating recommendations from several proposed concepts.

THE ROLE AND ORGANIZATION
OF A CENTRALIZED AUDIT
AND EVALUATION AUTHORITY

The independent central audit and evaluation authority (equivalent to an Auditor or Inspector General) for the United Nations should be responsible for conducting and supervising audits, evaluations, inspections, and investigations relating to U.N. operations in order to (1) promote economy, efficiency, and effectiveness in the administration of the U.N.'s programs and operations, (2) prevent and detect fraud, waste, and abuse in those programs and operations, and (3) keep the Secretary General and the General Assembly fully informed of any problems and deficiencies and of the progress of corrective actions on previously identified problems and deficiencies.

The central audit and evaluation office should be comprised of offices of audit, evaluation, inspections, and investigation. Some that we spoke with suggested

that the centralization be implemented in the following three phases:

- First, all audit and evaluation offices, with the exception of the Joint Inspection Unit and the specialized agencies that currently carry out similar responsibilities, should be transferred to this unit.
- Second, after the central audit and evaluation authority has been established, the Joint Inspection Unit should be transferred to it.
- Third, the concept should be proposed to the governing bodies of the specialized agencies and, if accepted, deputies to the central audit and evaluation authority for these agencies should be established to ensure that uniform standards are being applied and that the United Nations is properly informed of the specialized agencies' audit and evaluation activities.

APPOINTMENT, REMOVAL, AND SUPERVISION
OF THE HEAD OF THE AUDIT
AND EVALUATION OFFICE

The head of the central audit and evaluation office should be chosen without regard to nationality and solely on the basis of integrity and demonstrated ability in accounting, auditing, financial or management analysis, or investigations. The U.N. General Assembly should create the mandate for the central audit and evaluation office. The head of the office should be appointed by the Secretary General and confirmed by the General Assembly. Only the Secretary General should have the power to remove the head of the office, but the Secretary General should also be required to promptly notify the General Assembly in writing of the reasons for any exercise of that power.

The head of the central audit and evaluation office should report to the Secretary General and the General Assembly and have direct and prompt access to the Secretary General. Neither the Secretary General nor any other U.N. official should have the authority to prevent or prohibit the head of the office from initiating,

carrying out, or completing any audit, evaluation, inspection, or investigation. The head of the office should not be assigned any program operating responsibilities. An assistant for audits and evaluations and an assistant for investigations should be appointed by the head of the central audit and evaluation office to supervise the performance of audit, evaluation, and investigative activities, respectively, relating to the U.N.'s programs and operations.

DUTIES AND RESPONSIBILITIES

The head of the central audit and evaluation office should develop policies and procedures for conducting audits and investigations relating to U.N. programs and operations. The responsibilities of the office would include (1) promoting the implementation of the common auditing standards adopted by the International Organization of Supreme Audit Institutions and internal control standards throughout the U.N. system, (2) strengthening follow-up mechanisms to ensure more responsiveness to audit and evaluation recommendations, and (3) prescribing and ensuring the use of standardized accounting principles and accounting standards by U.N. bodies. Additionally, the head of the central audit and evaluation office should prepare long-term and annual work plans for audits, evaluations, and investigations, which would be reviewed by the Board of Auditors. However, the head of the office should have sole responsibility for assigning work priorities and committing resources.

The results (findings, conclusions, and recommendations) of each audit, evaluation, and investigation should be forwarded in writing to the Secretary General. Copies of the audit reports should be sent to those responsible for management of the program or operation audited, and to the General Assembly. If providing a copy of each audit report to each member of the General Assembly proves to be too costly or for some other reason impractical, an alternative could be to provide copies to members of the Advisory Committee on Administrative and Budgetary Questions with copies made available to member states upon request. An annual report on the activities of the office should be prepared and provided to the General Assembly.

The office should be expected to establish guidelines for locally hired, nonoffice auditors who may be needed to assist in the audit programs and operations in member countries. While the responsibility for implementing audit recommendations rests with program managers and project officials, the central audit and evaluation office should be required to (1) monitor the implementation of its recommendations, (2) assess the adequacy of the corrective actions in eliminating the identified problems, and (3) report on the lack of progress toward implementation in the office's annual report.

OPERATING AUTHORITY

The office should have access to all records, reports, audits, documents, reviews, or other materials that are deemed necessary or desirable for the successful completion of any audit or investigation being undertaken. Any request for information, documents, answers, or assistance from this office should be honored promptly and completely. The head of the office should have the authority to select, appoint, and employ such officers and employees as may be necessary for carrying out the functions, duties, and responsibilities of the office.

The head of the office should have the authority to submit budget and resource requests directly to the Secretary General for consideration and final approval. Within the approved budget, the head of the office should have the authority to contract for audits, studies, analyses, and other services that may be deemed necessary to carry out the functions, duties, and responsibilities of the office.

The office should have the authority to receive and investigate complaints or information from employees concerning possible violations of law or regulation or possible mismanagement, waste, or abuse of authority or program funding. The office should also be required to protect the identity of the source of such information or complaints unless (1) the source consents to the disclosure of his or her identity, or (2) the complaint was made or the information was disclosed with knowledge

that it was false or with willful disregard for its truth or falsity.

The office should be provided with adequate office space at central and field office locations, together with such equipment, supplies, and communications facilities as may be necessary to operate the offices and the necessary maintenance services for the offices, equipment, and facilities.

RESOURCES

We examined the existing resources devoted to audit and evaluation in the U.N. system and determined that, initially, a permanent staff between 100 and 150 could perform the functions outlined for the central audit and evaluation office. In U.S. dollars, the cost, including requisite support costs, would range from \$25 to \$30 million. The resource estimates are based on a consolidation of the estimated audit staffing levels and U.N. budgets for the current Board of Auditors, the Internal Audit Division, the Central Evaluation Unit, the Central Monitoring Unit, and the Management Advisory Service. The resources of the Joint Inspection Unit would later be transferred to this office. The consolidation of existing resources would provide more efficient use of existing resources. This is an area that we would recommend that the Under-Secretary General for Administration and Management study further before any decisions are made.

KEYS TO SUCCESSFUL IMPLEMENTATION

Establishment of an independent U.N. audit and evaluation authority would require a consensus by members of the General Assembly to create the mandate for the office. The office should be independent to facilitate objective reviews, unimpeded by the fear of offending those reviewed. A competent work force should be selected by the head of the central audit and evaluation office that (1) is well trained in the several professional disciplines involved, (2) adheres closely to internationally recognized professional standards, and (3) is, individually and collectively, tactful and discreet in the handling of sensitive material.

The United Nations will be required to incur some additional costs for the operations. However, a commitment of resources for the central audit and evaluation office would return more in real-dollar savings than it would cost to operate. Additionally, firm and consistent support from the Secretary General and a direct reporting link between the office of audit and evaluation and the Secretary General will be required.

An aggressive follow-up policy should be established to ensure that all U.N. activities either comply with approved recommendations or have sound and honest reasons for noncompliance. To effectively perform the investigative function outlined in this conceptual framework, the General Assembly will have to revise its current statutes with regard to the U.N.'s Code of Ethics and the promulgation of disciplinary procedures for those of various diplomatic levels found guilty of misconduct or wrongdoing.

OBJECTIVES, SCOPE, AND METHODOLOGY

As a result of our continuing work on U.N.-related issues, we recently (1) reviewed the structures and certain operational aspects of the internal and external audit and evaluation units within the U.N. system and (2) examined whether a central authority might improve the effectiveness of the current U.N. system of audit and evaluation. We excluded the United Nations' specialized agencies from the scope of our review because, unlike the U.N. system that is under the control of the General Assembly, the specialized agencies operate under the auspices of their own individual governing bodies.

During our review, we examined not only previous GAO reports and recommendations of other member states, but also the latest in audit, evaluation, and management methodologies. The criteria used to assess the adequacy of the United Nations' audit and evaluation standards included those employed by the Comptroller General of the United States, the International Organization of Supreme Audit Institutions, the International Federation of Accountants, the International Accounting Standards Committee, and the Panel of External Auditors. We also discussed the perceptions of the current audit and evaluation units' roles and the need for and value of an independent U.N. central audit and evaluation authority with

- the U.N. Under-Secretary General for Administration and Management;
- directors of the U.N. Board of Auditors;
- heads of the Internal Audit Division, the Central Evaluation Unit, the Central Monitoring Unit, and the Management Advisory Service;
- U.S. Department of State officials in New York and Washington, D.C.; and
- Auditors General and Assistant Auditors General from several countries.

We performed our review from May to August 1992 in accordance with generally accepted government auditing

standards. We did not obtain written comments on this report. However, we discussed the contents with officials in the U.S. Department of State Bureau of International Organizations Affairs and included their comments where appropriate.

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