

**REVIEW OF AUDIT AND OVERSIGHT COMMITTEES IN  
THE UNITED NATIONS SYSTEM**

*Prepared by*

***Aicha Afifi***

**Joint Inspection Unit**

**Geneva 2019**



**United Nations**



**REVIEW OF AUDIT AND OVERSIGHT COMMITTEES IN  
THE UNITED NATIONS SYSTEM**

*Prepared by*

***Aicha Afifi***

**Joint Inspection Unit**



**United Nations, Geneva 2019**



## EXECUTIVE SUMMARY

### Review of audit and oversight committees in the United Nations system JIU/REP/2019/6

#### **Background**

The various oversight functions are an important part of the governance mechanisms of United Nations system organizations. Over the years, the legislative bodies of the organizations of the United Nations system have repeatedly emphasized the need for greater transparency and accountability and for the efficient and effective use of member States' resources. This has resulted in enhanced internal audit and other oversight functions, including the establishment of independent advisory audit and oversight committees.

Audit and oversight committees have a critical role to play as independent expert advisory bodies that provide objective advice and recommendations on various aspects of an organization's governance, risk management and internal control processes.

The Joint Inspection Unit (JIU) has conducted a number of reviews of the various accountability and oversight functions in United Nations system organizations. The recommendations issued in those reviews were intended to strengthen accountability and oversight functions, including the audit and oversight committees. This is, however, the first JIU report focused exclusively on audit and oversight committees. JIU considers this focus to be important and timely, especially as the role of such committees in United Nations system organizations has developed considerably over the past decade.

As a basis for its analysis of the mandate and practices of audit and oversight committees, JIU identified 13 criteria for good practices. These good practices are aligned with the Guidelines for Internal Control Standards for the Public Sector issued by the International Organization of Supreme Audit Institutions, and with the International Professional Practices Framework of the Institute of Internal Auditors, adapted by JIU for United Nations system organizations.

#### **Main findings and conclusions**

The analysis of the 18 audit and oversight committees of United Nations system organizations examined during this review revealed considerable progress over the last decade, with the scope, content and quality of the terms of reference or charter of the committees being improved considerably. For example, in 2010, only 25 per cent of all audit and oversight committees included in their terms of reference or charter specific provisions relating to independence and term limits for members of the committee; today, the majority of them feature these provisions, albeit to varying degrees. Notwithstanding this progress, the United Nations system as a whole still has some way to go to meet the good practices identified for audit and oversight committees.

The analysis of the 18 audit and oversight committees against the 13 JIU criteria showed that all of the committees are established on the basis of written documents (terms of reference or a charter), which define their mandates and criteria for membership, as well as their mode of operation and scope of responsibilities. This is considered a good practice.

While this review found that most of the JIU participating organizations had established audit and oversight committees (only five do not have one), they appeared to vary in terms of their independence, reporting lines, scope, responsibilities, composition and size. Furthermore, one third of the oversight mechanisms do not meet all the requirements of the international standards that have been emphasized by JIU in a series of recommendations over past decades. At present, seven audit and oversight committees of the JIU participating organizations do not fulfil the conditions of independence and five of the organizations have not established such a committee.

The reporting arrangements for audit and oversight committees can be clustered into three distinct categories: (a) reporting directly to the governing body; (b) reporting to both the governing body and the executive head of the organization; and (c) reporting to the executive head only. This last category of audit and oversight committee is not considered independent according to the criteria for good practices.

The analysis of the other criteria showed that fewer than half of the organizations surveyed meet standards of good practice in relation to independence, internal controls, the adequacy of administrative support and resources, performance assessment or the revision and update of their terms of reference or charter.

The present review found that the mandate and responsibilities of the audit and oversight committees had, over time, broadened from audit and financial reporting to risk management and implementing the accountability framework, including the protection of whistle-blowers against retaliation, in addition to a stronger focus on the technical aspects of the work of the organizations. This has been accelerated by the rapidly evolving information technology and risk-management environments, as well as increased expectations regarding ethics policies and standards and fraud-prevention systems. Furthermore, since oversight is a shared responsibility, the audit and oversight committees also need to assume a stronger coordinating role with the aim of improving communication and collaboration among the main stakeholders, in particular, internal and external audit functions and executive management.

Geographical and gender balance requirements are mentioned in the terms of reference or charter of the majority of the audit and oversight committees. An appropriate mix of representatives of developed and developing countries, as found in two instances during the review, is, in the Inspector's opinion, a good practice that should be widely emulated.

Detailed conflict-of-interest guidelines are absent from the majority of the terms of reference or the charter of the audit and oversight committees reviewed, with the exception of a "cooling-off period" for members of the audit and oversight committees wishing to join the organization, and vice versa.

The authority of the audit and oversight committees, as defined in the terms of reference or charter, allows them unrestricted access to staff members, including senior management and non-staff. The committees also have access to any information that they consider necessary to discharge their duties.

All United Nations system organizations provide logistical and administrative support to assist their audit and oversight committees in carrying out their oversight activities. The review found that the secretariat function was assumed by the internal oversight office for 8 out of the 18 audit and oversight committees, the executive, management or strategy and policy office for 4 of the committees, the office of governing bodies for 2 of the committees and the controller's office for 4 of the committees. Most of the committees do not have a separate budget allocation.

Challenges to the work of the audit and oversight committees include the time limitations of the formal meetings of the committees, coupled with the growing demands placed on them and the increasing complexity of the issues facing the organizations. Furthermore, interviews revealed that not all committee members are considered up to date in their respective domain of expertise, in addition to lacking the requisite skill sets for certain new issues that the committees should consider.

The majority of the audit and oversight committees do not provide for a periodic external review of their performance or a survey involving their stakeholders. Furthermore, none of them have any formal indicators established by their organizations against which to assess their performance. The review findings imply that there is a clear need for improvement in this area.

The revision and review of the terms of reference or charter of the audit and oversight committees by the legislative and/or governing bodies at clearly specified intervals are only mandatory in two of the terms of reference; nearly half of the them do not specify timelines or provide for a process of regular review and revision. This is an area in clear need of improvement.

### **Recommendations**

The purpose of the following seven recommendations is to assist the legislative and/or governing bodies of United Nations system organizations in their endeavour to improve their oversight and accountability roles and responsibilities by meeting the criteria for good practices identified by JIU in the present report.

#### **Recommendation 1**

**The legislative and/or governing bodies of the United Nations system organizations that have not already done so should ensure that the terms of reference or charter of their respective audit and oversight committees are revised and updated by the end of 2021 to include specific references to their independence and reporting line to their legislative and/or governing bodies.**

#### **Recommendation 2**

**The legislative and/or governing bodies of the United Nations system organizations that have not already done so should ensure that the terms of reference or charter of the audit and oversight committees of their respective organizations are revised to reflect all the internal oversight functions that are part of the responsibilities and activities of the committee, where applicable, by the end of 2021.**

#### **Recommendation 3**

**The legislative and/or governing bodies of the United Nations system organizations that have not already done so should ensure that provisions regarding the internal control framework and risk management are included in the terms of reference or charter of their respective audit and oversight committees by the end of 2021 in order to ensure that due attention is paid to addressing internal control weaknesses and emerging risks.**

#### **Recommendation 4**

**The legislative and/or governing bodies of the United Nations system organizations that have not already done so should give due consideration to including the oversight of ethics and anti-fraud activities in the revised terms of reference or charter of their audit and oversight committees in order to strengthen the accountability frameworks of their respective organizations by the end of 2021, provided that these audit and oversight committees meet the independence criteria.**

#### **Recommendation 5**

**In order to meet the needs of the organizations, the legislative and/or governing bodies of the United Nations system organizations that have not already done so should consider revising and updating the terms of reference or charter of their audit and oversight committees to contain provisions related to the relevant skills and professional expertise of members, including a balanced mix of public and private sector experience at the senior level. In addition, a strong understanding of the structure and functioning of the United Nations system and/or intergovernmental and international organizations is desirable.**

**Recommendation 6**

**The legislative and/or governing bodies of the United Nations system organizations that have not already done so should request their audit and oversight committees to undertake a self-assessment every year and an independent performance evaluation every three years and report to them on the results.**

**Recommendation 7**

**The legislative and/or governing bodies of the United Nations system organizations that have not already done so should ensure that the terms of reference or charter of their audit and oversight committees are periodically revised and updated with a view to including emerging priorities of, and new challenges to, their respective organizations.**



## CONTENTS

	<i>Page</i>
<b>EXECUTIVE SUMMARY.....</b>	iii
<b>ABBREVIATIONS.....</b>	ix
<i>Chapter</i>	
<b>I. INTRODUCTION.....</b>	1
A. Background.....	1
B. Objectives.....	2
C. Scope of the review .....	2
D. Limitations.....	2
E. Definitions.....	3
F. Methodology.....	3
G. Rationale for the choice of criteria for good practices.....	4
<b>II. ESTABLISHMENT OF THE AUDIT AND OVERSIGHT COMMITTEES IN THE UNITED NATIONS SYSTEM .....</b>	8
A. Context.....	8
B. Purpose .....	9
C. Legal framework.....	10
D. Audit and oversight committee independence and reporting system .....	11
<b>III. SCOPE OF THE MANDATE, ROLE AND RESPONSIBILITIES OF AUDIT AND OVERSIGHT COMMITTEES .....</b>	14
A. Oversight functions.....	14
B. Internal controls and risk management .....	16
C. Accounting, financial reporting and regulations.....	17
D. Ethics .....	17
E. Fraud-prevention activities.....	18
F. Coordination of oversight activities.....	19
<b>IV. MEMBERSHIP AND APPOINTMENT PROCESS.....</b>	20
A. Committee composition.....	20
B. Selection process and appointment .....	22
C. Formal induction training .....	24
<b>V. AUTHORITY AND MODE OF OPERATION OF AUDIT AND OVERSIGHT COMMITTEES.....</b>	25
A. Authority of audit and oversight committees.....	25
B. Mode of operation.....	27
<b>VI. PERFORMANCE EVALUATION OF AUDIT AND OVERSIGHT COMMITTEES.....</b>	31
A. Objective of the assessment.....	31
B. Applicable international standards and principles .....	31
C. Current practices in assessing and evaluating audit and oversight committees in United Nations system organizations .....	31
<b>VII. OVERALL CONCLUSIONS AND WAY FORWARD...</b>	34
A. Establishing a professional audit and oversight committee network.....	35
B. Addressing emerging risks and challenges across the United Nations system .....	35
C. Concluding remarks.....	36

**ANNEXES**

<b>I.</b> Legislative/governing bodies and audit and oversight committees of the 18 Joint Inspection Unit participating organizations reviewed.....	37
<b>II.</b> Purpose of the 18 audit and oversight committees reviewed...	39
<b>III.</b> Overview of the membership and appointment process of the 18 audit and oversight committees reviewed.....	46
<b>IV.</b> Overview of the mode of operation and authority of the 18 audit and oversight committees reviewed.....	48
<b>V.</b> Overview of actions to be taken by participating organizations on the recommendations of the Joint Inspection Unit.....	50

**ABBREVIATIONS**

CEB	United Nations System Chief Executives Board for Coordination
FAO	Food and Agriculture Organization of the United Nations
IAAC	Independent Audit Advisory Committee (of the United Nations Secretariat)
IAEA	International Atomic Energy Agency
ICAO	International Civil Aviation Organization
IIA	Institute of Internal Auditors
ILO	International Labour Organization
IMF	International Monetary Fund
IMO	International Maritime Organization
ITC	International Trade Centre
ITU	International Telecommunication Union
JIU	Joint Inspection Unit
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UN-Habitat	United Nations Human Settlements Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNODC	United Nations Office on Drugs and Crime
UNOPS	United Nations Office for Project Services
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UN-RIAS	Representatives of Internal Audit Services of the United Nations System Organizations
UN-Women	United Nations Entity for Gender Equality and the Empowerment of Women
UNWTO	World Tourism Organization
UPU	Universal Postal Union
WFP	World Food Programme
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization



## I. INTRODUCTION

### A. Background

1. The Joint Inspection Unit (JIU) included the present review in its programme of work for 2018, in line with its strategic framework for the period 2010–2019, in which issues that enhance the governance architecture in the United Nations system are prioritized. Moreover, JIU considered that the review could contribute to ongoing reforms in the United Nations system aimed at strengthening governance and enhancing accountability and transparency.
2. The United Nations General Assembly views the oversight function as an important part of governance that is performed by both internal and external mechanisms within the United Nations, its funds and programmes, other subsidiary entities and specialized agencies and the International Atomic Energy Agency (IAEA). In this vein, it has also, over the years, repeatedly emphasized the need for greater transparency and accountability and for the efficient and effective use of member States' resources through enhanced internal audit and other oversight functions, including the establishment of independent advisory audit and oversight committees.
3. The concept of the audit and oversight committee is a relatively new phenomenon in the United Nations system, starting in the 1990s; however, in the Bretton Woods institutions they were established much earlier (in 1947 at the International Monetary Fund (IMF) and in 1970 at the World Bank).
4. JIU has conducted several reviews of the accountability and oversight functions in the United Nations system, notably in its report on oversight lacunae in the United Nations system (JIU/REP/2006/2), in which it recommended that the legislative bodies of each United Nations system organization should establish an independent external oversight board. As a result of this recommendation and of other, related initiatives arising from other reviews, the governance reform in the United Nations system in recent years has seen committees being established in most organizations.
5. In 2010, JIU issued a report on the audit function in the United Nations system (JIU/REP/2010/5 and JIU/REP/2010/5/Corr.1), which contains a chapter on audit and oversight committees. That review found that the recent establishment of audit and oversight committees with an advisory role to management and legislative bodies was a major step towards improving the audit and oversight function at United Nations system organizations. However, at the time of that review, five organizations had not established such a committee.
6. At present, audit and oversight committees seem to have varying responsibilities, scope, composition, size, titles (see annex I), reporting lines and degrees and levels of independence, although the Representatives of Internal Audit Services (RIAS) of the United Nations system organizations, multilateral financial institutions and other associated intergovernmental organizations<sup>1</sup> introduced a common definition in 2008.<sup>2</sup>
7. Other recent JIU reports on related accountability and oversight functions include “Ethics in the United Nations system” (JIU/REP/2010/3), “Accountability frameworks in the United Nations system” (JIU/REP/2011/5), “The investigations function in the United Nations system” (JIU/REP/2011/7), “Analysis of the evaluation function in the United Nations system” (JIU/REP/2014/6), “Fraud

---

<sup>1</sup> The Representatives of Internal Audit Services of the United Nations System Organizations (UN-RIAS) is a network independent of RIAS, and the UN-RIAS members are concurrently RIAS members.

<sup>2</sup> The RIAS position statement on good practices of audit committees was endorsed by the RIAS members at the thirty-ninth RIAS meeting in 2008, and was prepared in consultation with the Institute of Internal Auditors (IIA). RIAS endorsed also the general guidance contained in the Institute's document “The Audit Committee: Purpose, Process, Professionalism”. As part of the exchange on audit and other matters of interest between UN-RIAS and the High-Level Committee on Management of the United Nations System Chief Executives Board for Coordination (CEB), UN-RIAS presented the RIAS position statement on audit committees at the meeting of the High-Level Committee on Management, held in New York on 18 and 19 September 2008 (see CEB/2008/5, chap. X).

prevention, detection and response in United Nations system organizations” (JIU/REP/2016/4), “State of the internal audit function in the United Nations system” (JIU/REP/2016/8) and “Review of whistleblower policies and practices in United Nations system organizations” (JIU/REP/2018/4).

8. However, none of the previous JIU oversight-related reports dealt exclusively with audit and oversight committees; such committees were reviewed only as one of many aspects of the audit and oversight functions. A fresh look by JIU to take stock of progress achieved in the establishment, mandates, scope and effective functioning of these committees in the light of a set of predefined standards or benchmarks based on generally accepted criteria for and principles of good practices was therefore considered necessary, taking into consideration recent trends and developments in public sector audit committees and, more specifically, in the United Nations system.

## **B. Objectives**

9. The objectives of the present report are to review audit and oversight committees across the United Nations system organizations against a set of predefined criteria for good practices with a view to:

- (a) Determining whether existing audit and oversight committees are adequately established and serving their purpose as originally envisaged in their terms of reference or charters;
- (b) Assessing their present degree of deviation from generally accepted standards and principles;
- (c) Identifying good practices and lessons learned and recommending their selective adoption by audit and oversight committees across the United Nations system organizations according to the specific needs and characteristics of the entities they serve.

## **C. Scope of the review**

10. The current review covers the audit and oversight committees in the United Nations Secretariat, the funds and programmes, the specialized agencies and IAEA. The United Nations system has, at present, 18 audit and oversight committees, which cover 23 of the 28 JIU participating organizations.<sup>3</sup> At present, five JIU participating organizations have not established an audit and oversight committee: IAEA, the International Maritime Organization (IMO), the Joint United Nations Programme on HIV/AIDS (UNAIDS), the Universal Postal Union (UPU) and the World Tourism Organization (UNWTO).

11. The present review is not intended to propose a “one-size-fits-all” model. The aim, on the basis of an assessment of the degree of compliance of their terms of reference with good practices as reflected in the 13 JIU criteria for good practices, is to identify existing gaps, provide guidance for future revisions and give specific examples which could be replicated across the United Nations system organizations in a consistent and results-oriented policy and framework wherever appropriate.

## **D. Limitations**

12. The information collected on actual audit and oversight committee practices and the feedback provided by participating organizations were checked against the provisions of the terms of reference or charter of the audit and oversight committees to permit a meaningful analysis of the actual working of the committees and their impact in terms of enhancing their respective entities’ operations and oversight functions. However, very little data on the budgets and available resources of the audit and oversight committees were shared with JIU and the performance assessments of individual committees are not yet based on a convincing and comparable methodology such as standard questionnaires and measurable indicators which would permit evidence-based conclusions and recommendations to be drawn. Given the lack of available data, a critical comparison of the relative efficiency and effectiveness

---

<sup>3</sup> In addition to the United Nations Secretariat, the Independent Advisory Audit Committee (IAAC) covers another five JIU participating organizations (the International Trade Centre (ITC), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Environment Programme (UNEP), the United Nations Human Settlements Programme (UN-Habitat) and the United Nations Office on Drugs and Crime (UNODC)).

of the 18 audit and oversight committees under review on the basis of measurable and objective indicators was not possible.

13. It should be noted that the JIU analysis and conclusions and recommendations are related to the audit and oversight committees' arrangements as reflected in their existing terms of reference and to the responses from the JIU participating organizations. In this context, JIU is aware of the fact that actual practices might deviate from the provisions stipulated in the committees' terms of reference. Thus, this review intends to inform the process and suggest ways of updating the terms of reference, to bring them into line either with good public sector practices or with the actual audit and oversight committee practices, wherever these already go beyond their own terms of reference.

## **E. Definitions**

14. In its report on the audit function in the United Nations system, JIU defined an audit and oversight committee as an independent advisory expert body that is part of the governance structure of the organization and a prerequisite for good governance (JIU/REP/2010/5, chap IV, sect. A). For the purpose of this report, JIU uses 'audit and oversight committee' to be all inclusive, and annex I contains the exact names of each committee reviewed.

15. The Institute of Internal Auditors (IIA) defines audit committees as entities that provide oversight by offering objective advice and recommendations to the board on whether the organization's governance, risk management and internal control processes are suitably designed and working as intended to achieve the objectives.<sup>4</sup>

16. In the 2008 RIAS position statement, which is non-binding, the purpose of the audit committee is similarly defined, namely as an independent advisory body primarily to assist the governing body, and the executive head of a United Nations entity and other multilateral institutions as appropriate, in fulfilling their oversight and governance responsibilities, including the effectiveness of internal controls, risk management and governance processes. According to the position statement, the audit committee must add value and must strengthen accountability and governance functions, not duplicate them.

17. Independence is the freedom from conditions that threaten the ability of an oversight activity to carry out oversight responsibilities in an unbiased manner and with enough autonomy and in the absence of external influence.<sup>5</sup>

18. Impartiality refers to a state of mind rather than an affiliation. It requires an objective evaluation of facts at hand without any subjectivity or preconceived bias in favour of one party or another.

19. IIA defines objectivity as an unbiased mental attitude that allows individuals to perform engagements in such a manner that they believe in their work product and that no quality compromises are made.<sup>6</sup>

## **F. Methodology**

20. The review of audit and oversight committees in the United Nations system was conducted from February 2018 to July 2019. In accordance with JIU norms, standards and guidelines and its internal working procedures, the methodology followed in preparing the present report included an extensive desk review and quantitative and qualitative analysis of data from documentation received and

---

<sup>4</sup> IIA, "Global public sector insight: independent audit committees in public sector organizations" (Altamonte Springs, Florida, United States of America, June 2014), p. 7.

<sup>5</sup> See IIA, *International Professional Practices Framework* (Lake Mary, Florida, United States, 2017); and M. Scott Donahey, "The independence and neutrality of arbitrators", *Journal of International Arbitration*, vol. 9, No. 4 (1992).

<sup>6</sup> IIA, "International Standards for the Professional Practice of Internal Auditing (Standards)", January 2017, Standard 1100: Independence and Objectivity.

collected, questionnaire responses and interview notes, including triangulation and validation of information obtained.

21. A total of 22 of the 28 JIU participating organizations responded to the JIU questionnaire. Five JIU participating organizations<sup>7</sup> did not provide a separate response to the questionnaire as they are overseen by the audit and oversight committee of the United Nations Secretariat and are covered by its response. UNAIDS, which does not have an audit and oversight committee, did not provide a response.

22. The views of the responding JIU participating organizations were captured and followed up by interviews, either remotely using video- or teleconference or in person in Brussels, Copenhagen, Geneva, London, Montreal, New York, Paris, Rome, Vienna and Washington, D.C. Interviews were conducted with executive heads of organizations (or their representatives); heads of legislative and governing bodies; Chairs, members and secretaries of audit and oversight committees; officials from oversight functions and coordinating bodies; and officials from senior management.

23. Interviews were also conducted with representatives from other international organizations, including the World Bank, IMF, the Pan American Health Organization, the International Federation of the Red Cross and Red Crescent Societies, the Gavi Alliance, the Organization for Economic Cooperation and Development and the Global Fund to Fight AIDS, Tuberculosis and Malaria. The intention of those interviews was to identify, where possible, some benchmarks, lessons learned and good practices that could be promoted within the United Nations system.

24. Information and views received through questionnaire responses and interviews have been dealt with in accordance with the usual respect for confidentiality shown by JIU. The report primarily reflects aggregated responses.

25. In accordance with article 11 (2) of the JIU statute, an internal peer review procedure was used to solicit the collective wisdom of the JIU inspectors before the finalization of the report. The draft report was circulated to the participating organizations for correction of factual errors and comments on the findings, conclusions and recommendations. The report contains seven recommendations addressed to the legislative and/or governing bodies of the participating organizations.

#### **G. Rationale for the choice of criteria for good practices**

26. Taking into account the absence of sufficient data permitting a comparative appraisal of the actual work practices and impact of the audit and oversight committees, JIU has established 13 relevant criteria which are aligned with the Guidelines for Internal Control Standards for the Public Sector issued by the International Organization of Supreme Audit Institutions and with the IIA International Professional Practices Framework, and adapted to the context of United Nations organizations. They serve as a proxy for the assessment of how closely these oversight mechanisms meet generally accepted good standards and are listed and further explained in the box below.

27. Existing gaps, as well as good practices, in relation to the specific needs and constraints of the entities served by the audit and oversight committees were thus identified; they informed the JIU recommendations, which are aimed at identifying lessons learned, providing guidance for future revisions to close existing gaps and offering specific examples of good practices for replication across the United Nations system in a consistent and results-oriented policy or framework, while being mindful of the specific characteristics of the organizations concerned.

28. Given the diversity of the mandated missions and operational activities of each organization and of governance structures and oversight arrangements in the United Nations system organizations, it is important to emphasize that the recommendations contained in this report should not be seen as “one size fits all”. Furthermore, small United Nations organizations with limited resources may not be able to implement all the good practices outlined in the present review. In this case, it is up to their legislative

---

<sup>7</sup> ITC, UNCTAD, UNEP, UN-Habitat and UNODC.



and/or governing bodies to assess carefully the elements that are relevant to the governance of their organizations.

**Joint Inspection Unit criteria for good practices for audit and oversight committees in the United Nations system organizations**

**Criterion 1:** Audit and oversight committees should be established by terms of reference or charter that are formally approved by the legislative and/or governing body of the organization.

This criterion is fundamental to satisfy the legislative and/or governing body of the organization. The terms of reference should cover fully and comprehensively all areas of the intended purview of an audit and oversight committee and should contain the best possible arrangements for its oversight work.

**Criterion 2:** Audit and oversight committees should be independent and report to the legislative and/or governing body as well as to the executive head of the organization.

This criterion distinguishes two basic control environments for audit and oversight committees in the United Nations system organizations: one (the vast majority) in which the committee already has the function of a true oversight committee in the service of the legislative and/or governing body; and another in which it is a high-level executive management advisory committee to help the legislative and/or governing body ensure that the entity in question is managed according to all applicable standards of good practice.

**Criterion 3:** Audit and oversight committees should review and advise on the mandate, charter, plan of action and resources of the internal oversight function.

This criterion covers the core responsibilities of audit and oversight committees that originally started out as audit committees before gradually assuming a much broader oversight role.

**Criterion 4:** Audit and oversight committees should review and advise on the effectiveness of the internal control systems of the organization, including enterprise risk management.

This criterion extends the role of an audit and oversight committee beyond pure audit review to the whole internal control framework of the entity it serves. During the past two decades, the role of enterprise risk management in this process has become increasingly important as the sophistication of the risk assessment process has greatly increased and, in parallel, risk mitigation has been professionalized.

**Criterion 5:** Audit and oversight committees should advise the legislative and/or governing body on the operational implications for the organization of the issues and trends apparent in the financial statements of the organization and reports of the external auditor, as well as the appropriateness of accounting policies and disclosure practices.

This criterion is aimed at ensuring that an appropriate follow-up is undertaken by management and legislative and/or governing bodies alike on all matters of concern identified in the audit reports in relation to the financial statements of the organization in question.

**Criterion 6:** Audit and oversight committees should review and advise on the ethics function.

This criterion, in conjunction with criterion 7, on fraud prevention, is intended to bring the increasingly important role of the ethics function under the review of the audit and oversight committee and strengthen the accountability framework.

**Criterion 7:** Audit and oversight committees should review and advise on the systems established and measures taken by the organization to prevent fraud.

As several high-profile fraud cases in the United Nations system and other non-profit organizations have shown, major fraud is not confined to for-profit settings and can inflict considerable reputational damage on United Nations entities. As a consequence, the role of the audit and oversight committee has evolved to include the review of policies and measures related to fraud prevention.

**Criterion 8:** Audit and oversight committees should strengthen communication and cooperation among stakeholders, external and internal auditors, management and the legislative and/or governing body.

While each individual element in the accountability system and internal control framework might work well, there is still a need to ensure better and more seamless coordination and cooperation among all the actors concerned.

**Criterion 9:** Criteria for audit and oversight committee membership should be clearly defined in the terms of reference or charter.

This criterion is of high importance, since the skills, knowledge and experience which audit and oversight committee members need to collectively possess should be rigorously defined, or redefined, so as to respond to the current and evolving needs and specificities of the function.

**Criterion 10:** Audit and oversight committees should have administrative support and adequate resources in order to fulfil their oversight responsibilities.

The most wide-ranging powers of inquiry and the best guarantees for independence and competence of an audit and oversight committee and its members would be rendered ineffective if the committee's administrative support and the resources at its disposal were to be insufficient or unduly influenced by management or other stakeholders.

**Criterion 11:** Audit and oversight committees should establish an annual workplan to ensure that their responsibilities and stated objectives for the period are effectively addressed.

This criterion is needed because the arrangements for planning, preparing, organizing and reporting on an audit and oversight committee's work and periodic meetings, as well as following up on its conclusions and recommendations, should be specified in advance and, to the extent and detail possible, be stipulated in its terms of reference or charter.

**Criterion 12:** The performance of audit and oversight committees should be assessed in order to evaluate their effectiveness and efficiency.

Few audit and oversight committees in the United Nations system have reached the level of good practice concerning this criterion, which is nonetheless of growing importance.

**Criterion 13:** In order to take into account emerging priorities and challenges faced by the organizations, audit and oversight committees' terms of reference or charter should be periodically revised and reviewed by the legislative and/or governing body.

29. To facilitate the implementation of the recommendations contained in the present report and the monitoring thereof, annex V contains a table showing whether the report is submitted to the organizations for action or for information, and indicates that for this report the recommendations require action by the organizations' legislative bodies only.

30. The Inspector and the team wish to express their appreciation to all the officials of the United Nations system organizations and representatives of other organizations who assisted in the preparation of this report, particularly those who participated in the interviews and so willingly shared their knowledge and expertise.

## II. ESTABLISHMENT OF THE AUDIT AND OVERSIGHT COMMITTEES IN THE UNITED NATIONS SYSTEM

### A. Context

31. Governance reforms in the United Nations system in recent years have seen audit and oversight committees established in most of the United Nations organizations. At present, those audit and oversight committees have varying names (see annex I), scope, composition, size, reporting lines and independence.

32. Pursuant to the 2005 World Summit Outcome (see General Assembly resolution 60/1), mainly paragraph 164 (c) thereof, in which member States recognized that additional measures were needed to enhance the independence of the oversight structures of the United Nations and requested the Secretary-General to submit detailed proposals to the General Assembly at its sixtieth session for its early consideration on the creation of an independent oversight committee, the General Assembly decided to establish the Independent Audit Advisory Committee (IAAC) as its subsidiary body tasked with serving in an expert advisory capacity and assisting the Assembly in discharging its oversight responsibilities. Its terms of reference were subsequently approved by the General Assembly in its resolution 61/275 and the Committee became operational in 2008.

33. In addition to the momentum created by the decision to establish IAAC, JIU, in its reports related to oversight functions in the United Nations system (JIU/REP/2006/2, JIU/REP/2010/5, JIU/REP/2010/5/Corr.1, JIU/REP/2011/7 and JIU/REP/2016/8), has also consistently stressed the importance of having this external oversight mechanism and called on the legislative and/or governing body of each organization to establish an independent external audit and oversight committee in their respective organizations.

34. Since the issuance of the above-mentioned reports, most of the JIU participating organizations have established an audit and oversight committee. More than half of these committees were established between 2006 and 2010, and a few more followed from 2012 to date. The audit and oversight committee of the United Nations Industrial Development Organization (UNIDO) was the latest to be established, in 2016, as a result of various recommendations from the external auditor, the Internal Oversight Division's external quality assessment and the recommendations contained in various JIU reports, including the review of management and administration in UNIDO (JIU/REP/2017/1). With a few pioneers among United Nations system organizations, such as the World Food Programme (WFP) and the Office of the United Nations High Commissioner for Refugees (UNHCR), whose audit and oversight committees were established in the 1980s and 1990s, respectively, the United Nations system has, at present, 18 audit and oversight committees, which cover 23 of the 28 JIU participating organizations.

35. At present, five JIU participating organizations have not established an independent audit and oversight committee, although it was recommended in previous JIU reports (JIU/REP/2006/2, JIU/REP/2010/5, JIU/REP/2010/5/Corr.1, JIU/REP/2011/7 and JIU/REP/2016/8). They are UNAIDS, three specialized agencies (IMO, UNWTO and UPU) and IAEA. In the case of UPU, in 2014, the executive management proposed to the governing body a change to the mandate and composition of the existing internal audit committee in an effort to transform it into an independent external body.<sup>8</sup> The governing body decided to keep the committee as it was and to integrate into it the functions of an independent audit committee.<sup>9</sup> However, in its review of management and administration in UPU (JIU/REP/2017/4), JIU found that the committee was still an internal committee whose members were staff members of the organization, which did not comply with good practice and was not in line with the independence criteria.

---

<sup>8</sup> UPU, document CA C 2 2014.1–Doc 7.

<sup>9</sup> UPU, document CA C 2 2015.1–Doc 7.

36. **The Inspector wishes to reiterate the previous JIU recommendations emphasizing the need for the establishment of an audit and oversight committee for those United Nations entities that have not yet done so, with a view to enhancing accountability and ensuring coherence and harmonization, where possible, in the oversight functions, in line with good practices.**

#### **B. Purpose**

37. Independent and external audit and oversight committees are a vital ingredient of good governance in both the private and public sectors as they help to ensure the reliability, impartiality and transparency of financial and other information disseminated by the entities they serve.<sup>10</sup>

38. In the United Nations system, audit and oversight committees play a critical role in assisting legislative and/or governing bodies in discharging their oversight responsibilities and advising them on doing so. Furthermore, some are entrusted with advising and helping the executive head in order to improve the performance of the organization, including on the effectiveness of internal controls, risk management, governance, financial reporting and ethics arrangements, thereby enhancing accountability and transparency.

39. In the United Nations system, as depicted in figure I below and the JIU report on the state of the internal audit function (JIU/REP/2016/8), the audit and oversight committees are positioned to review and advise on the third line of defence in the internal control framework, as defined by IIA.<sup>11</sup> The third line of defence comprises the independent oversight functions that provide objective assurance and other advice on the effectiveness of governance, risk management and internal control. The other two lines of defence are operational management and risk management and compliance functions.<sup>12</sup>

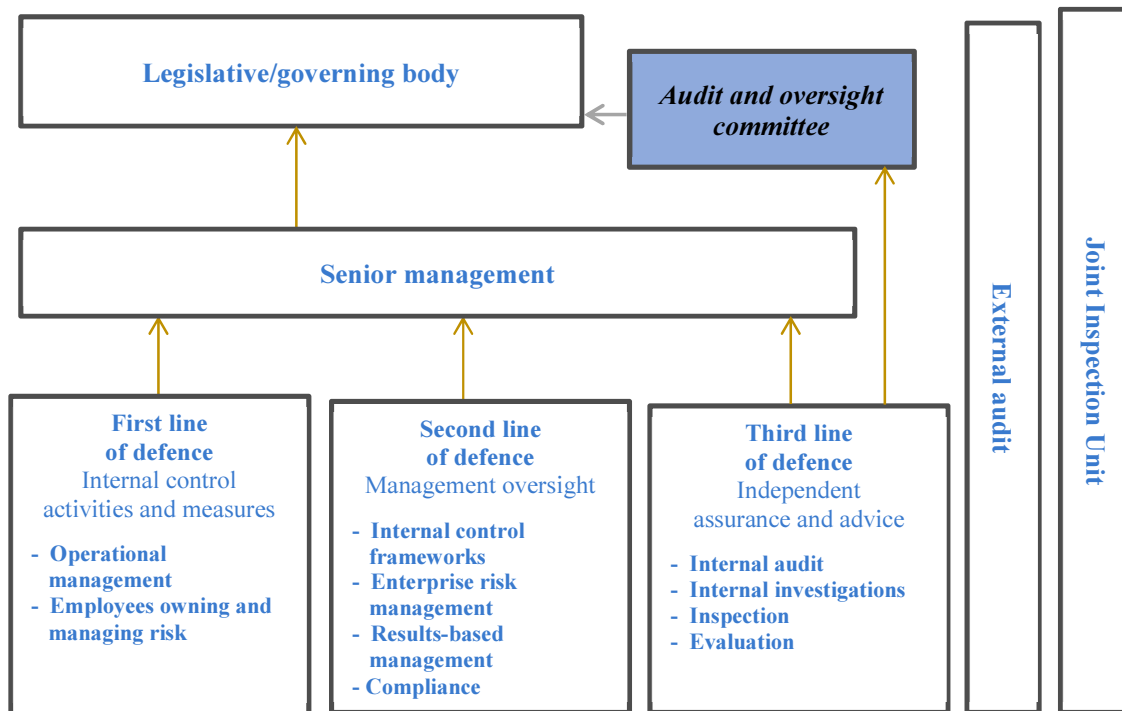
---

<sup>10</sup> Paras. 20-24, JIU/REP/2006/2.

<sup>11</sup> IIA, “The three lines of defense in effective risk management and control”, IIA position paper, January 2013, p. 2.

<sup>12</sup> See also Federation of European Risk Management Associations and European Confederation of Institutes of Internal Auditing, “Guidance on the 8th EU Company Law Directive, article 41: Monitoring the effectiveness of internal control, internal audit and risk management systems – Guidance for boards and audit committees”, 21 September 2010.

**Figure I**  
**Audit and oversight committees in the United Nations system governance architecture**



Source: Adapted by JIU for the United Nations system from the Federation of European Risk Management Associations and European Confederation of Institutes of Internal Auditing, “Guidance on the 8th EU Company Law Directive, article 41: Monitoring the effectiveness of internal control, internal audit and risk management systems – Guidance for boards and audit committees”, 21 September 2010. See also earlier adaption in JIU/REP/2016/8, annex IV.

### C. Legal framework

40. In the public sector, an audit committee’s mandate can be derived from many legal sources. In some national jurisdictions, the responsibilities of an audit committee and its members are established by legislation and/or regulation. In other jurisdictions, the mandate may be set out in government policy.

41. In the United Nations system, all audit and oversight committees have been established by a written document (terms of reference or charter) which defines the purpose, mandate, oversight responsibilities and duties of each committee, which is a good practice. However, this review found that not all terms of reference were subject to the legislative and/or governing body’s approval and that some not only differed in their content but also lacked specific provisions defining clearly the duties, authority and scope of the mandate of the audit and oversight committees.

**Criterion 1: Audit and oversight committees should be established by terms of reference or charter that are formally approved by the legislative and/or governing body of the organization.**

42. JIU found that 17 of the 18 audit and oversight committees of the United Nations system included in this review were regulated by specific terms of reference, except the audit and oversight committee of the United Nations Children’s Fund (UNICEF), which is regulated by a charter. This criterion is met by all the audit and oversight committees, which is in line with good practices.

43. Table 1 shows that the terms of reference of 12 of the audit and oversight committees are approved by the legislative and/or governing body, in conformity with criterion 1; whereas at six organizations (the United Nations Development Programme (UNDP), the United Nations Population Fund (UNFPA),

UNICEF, the United Nations Office for Project Services (UNOPS), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)), the audit and oversight committees' terms of reference or charter is approved by their executive head only. **The Inspector reiterates previous JIU recommendations that the terms of reference or charter of audit and oversight committees should be approved by the legislative and/or governing bodies, in line with good practices.**

Table 1

**Approval of the terms of reference or charter of the 18 audit and oversight committees under review**

Approving authority	Participating organization
Legislative/governing body (including subsidiary organs)	United Nations, FAO, ICAO, ILO, ITU, UNESCO, UNHCR, UNIDO, WFP, WHO, WIPO, WMO
Executive head	UNDP, UNFPA, UNICEF, UNOPS, UNRWA, UN-Women

*Source:* Responses to the JIU questionnaire and terms of reference or charters of the audit and oversight committees.

44. In addition, the analysis of the terms of reference or charter revealed that three participating organizations (the International Civil Aviation Organization (ICAO), UNFPA and UNOPS) mention their respective audit and oversight committees in the provisions of their financial regulations and rules. Moreover, the World Intellectual Property Organization (WIPO) annexed the terms of reference of its committee to its Financial Regulations and Rules. Furthermore, UNFPA makes specific reference to it in its oversight policy, while UNDP and UNICEF present the committee as part of their formal accountability system, which strengthens the mandate and the role of the committee. **It is recommended that these good practices be replicated across the United Nations system.**

**D. Audit and oversight committee independence and reporting system****Independence**

45. Independence, impartiality and objectivity are prerequisites for the effective functioning and operation of any audit and oversight committee. They are safeguards, ensuring that all activities associated with the discharge of duties and responsibilities as set out in the committee's terms of reference or charter are independent and free from any undue pressure and influence. According to the criteria identified in chapter I above, the audit and oversight committee should be independent from management and the legislative and/or governing body, as well as from member States, in order to be objective and impartial in discharging its oversight responsibilities.

**Criterion 2: Audit and oversight committees should be independent and report to the legislative and/or governing body as well as to the executive head of the organization.**

46. The review found that 16 participating organizations<sup>13</sup> appeared to have established an audit and oversight committee that conformed with the criterion of independence. The exceptions were ICAO and UNRWA.<sup>14</sup> Furthermore, the terms of reference or charter of all the 18 committees analysed contain provisions regarding the independence of the committee as a whole, in addition to the independence of its members. However, to be independent, the generally accepted principles and good practices require that audit and oversight committees report directly to the legislative and/or governing body, have no

<sup>13</sup> United Nations Secretariat (also including ITC, UNCTAD, UNEP, UN-Habitat and UNODC), FAO, ILO, ITU, UNDP, UNESCO, UNFPA, UNHCR, UNICEF, UNIDO, UNOPS, UN-Women, WFP, WHO, WIPO and WMO.

<sup>14</sup> In ICAO, the audit and oversight committee members are nominated by their Governments. For UNRWA, audit and oversight committee members are appointed by the Commissioner-General after consultation with the Director of the Department of Internal Oversight Services.

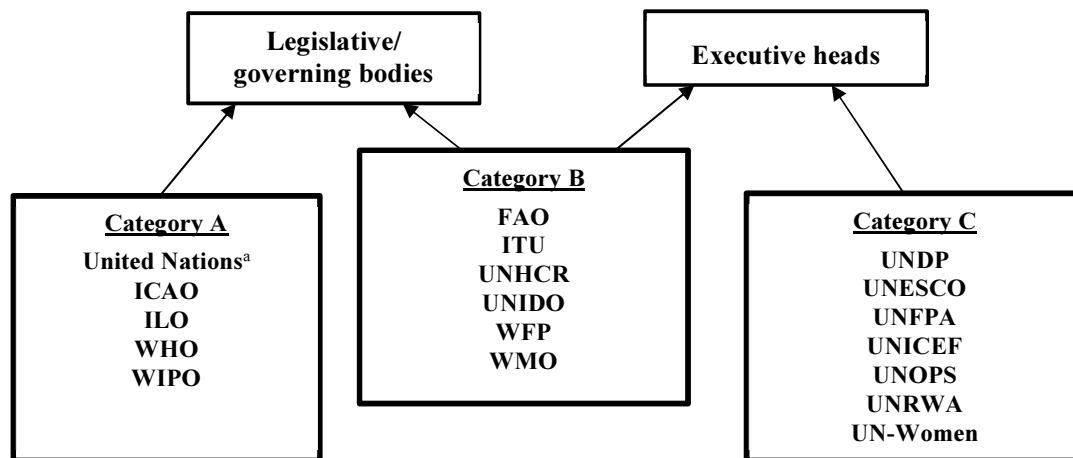
executive management responsibilities and are composed of entirely independent members approved by the legislative or governing body.

### Reporting system

47. In line with good practices, the audit and oversight committee should prepare an annual report on its activities, conclusions and recommendations, to be submitted by the Chair of the committee directly to the legislative and/or governing body. In this regard, the Chair should have the opportunity to introduce the report and have the opportunity to respond to the questions of the members of the legislative and/or governing body. The present review found that, currently, the reporting lines of audit and oversight committees could be categorized into three types, depending on whether they had been designed to report directly to: (a) the legislative and/or governing body (category A); (b) to both the legislative and/or governing body and the executive head of the organization (category B); or (c) to the executive head only (category C), as illustrated in figure II.

**Figure II**

**Formal reporting relationship of the 18 audit and oversight committees under review to governing bodies and executive heads**



*Source:* Responses to the JIU questionnaire and the terms of reference or charter of the audit and oversight committees

<sup>a</sup> Also includes ITC, UNCTAD, UNEP, UN-Habitat and UNODC.

48. In category A are the audit and oversight committees of the United Nations Secretariat (IAAC), ICAO, the International Labour Organization (ILO), the World Health Organization (WHO) and WIPO. These five audit and oversight committees advise and report directly to the legislative and/or governing body of their respective organizations. According to their terms of reference, the United Nations Secretariat IAAC and the committees of ILO and WIPO are considered subsidiary bodies of their legislative and/or governing bodies (see annex II).

49. In category B are the audit and oversight committees of the Food and Agriculture Organization of the United Nations (FAO), the International Telecommunication Union (ITU), UNHCR, UNIDO, WFP and the World Meteorological Organization (WMO). These committees were set up by the legislative and/or governing bodies of the organizations they serve (the Independent Management Advisory Committee of ITU is a subsidiary body of the ITU Council). They play a dual advisory role and report to both the legislative and/or governing body and the executive heads of the organizations, which is a good practice that could be emulated across the United Nations system.

50. In category C are the audit and oversight committees of seven organizations (UNDP, the United Nations Educational, Scientific and Cultural Organization (UNESCO), UNFPA, UNICEF, UNOPS, UNRWA and UN-Women). Analysis of their terms of reference or charter shows that their purpose is to assist and advise the head of the organization in fulfilling his or her governance and oversight



responsibilities, taking into account both the Financial and Staff Regulations and Rules of their respective organizations (see annex II). The added value of their advisory role is recognized as a vehicle for enhancing the effectiveness, efficiency and performance of the organizations. Such committees do not meet the criteria of independence according to good practices, as their formal reporting line is only to the executive head. The Inspector is of the view that such reporting should be made not only to the executive head but also to the legislative and/or governing body in order to be in line with good practices.

51. The reporting systems for the committees of the seven organizations mentioned in the previous paragraph are set out below, as indicated in their terms of reference or charter:

- (a) At UNFPA, the annual report of the Oversight Advisory Committee is appended to the report of the Office of Audit and Investigation Services, which is submitted annually to the legislative and/or governing body. In addition, the Chair of the Oversight Advisory Committee has free and unrestricted access to the Executive Board and its president, in accordance with paragraph 24 (c) of the UNFPA Oversight Policy.
- (b) At UNICEF, the annual report on the activities of the Audit Advisory Committee is included in the report of the Office of Internal Audit and Investigations that is presented to the Executive Board. The Chair of the Committee is invited to attend the meeting of the Board at which the report is presented.
- (c) At UNDP, UNOPS and UN-Women, the reports of the committees are made available annually to their respective executive boards and, upon request, the Chair presents the report, according to the terms of reference of the committee. In the case of UNESCO, the report of the Committee is transmitted to the Executive Board by the Director-General with his or her comments, and the Chair of the Committee attends the meeting at which the report is presented.
- (d) At UNRWA, the Advisory Committee on Internal Oversight presents an annual report to the Commissioner-General, with the request that the report be shared with the Advisory Commission.

52. It is worth noting that good practice standards require that the annual report of the audit and oversight committee – with or without comments by the executive head – should be presented by the Chair of the committee to the legislative and/or governing body. The Chair should also have an opportunity to make an introductory statement, provide explanations and answer questions from delegates.

53. In conclusion, this review found that, among the 18 audit and oversight committees of the JIU participating organizations, 11 reported to and advised their respective legislative and/or governing body in order to assist them in fulfilling their oversight responsibilities (see figure II above). The remaining seven committees report to and advise the executive head of the organizations they serve.

54. The following recommendation is expected to enhance and strengthen the independence of audit and oversight committees.

**Recommendation 1**

**The legislative and/or governing bodies of the United Nations system organizations that have not already done so should ensure that the terms of reference or charter of their respective audit and oversight committees are revised and updated by the end of 2021 to include specific references to their independence and reporting line to their legislative and/or governing bodies.**

### III. SCOPE OF THE MANDATE, ROLE AND RESPONSIBILITIES OF AUDIT AND OVERSIGHT COMMITTEES

55. Over the past two decades, the United Nations system organizations, faced with pressures from both member States and donors for more transparency and enhanced accountability, have progressively established audit and oversight committees and have gradually adopted more and more good practices from the rapidly evolving oversight committee trends and work patterns throughout the public sector.

56. Combined with rapidly evolving information technology and risk management environments, as well as increased expectations regarding ethics policies and standards and fraud-prevention systems and efforts, there has been a gradual extension of the mandate of audit and oversight committees from an original strong focus on internal control and financial reporting issues to a much broader involvement in overseeing nearly all aspects of an organization's strategy and accountability framework, including protection of whistle-blowers against retaliation, and anti-corruption policies.

**Criterion 3: Audit and oversight committees should review and advise on the mandate, charter, plan of action and resources of the internal oversight function.**

57. The analysis of the role and responsibilities of the audit and oversight committees under this criterion is based not only on the responses of the organizations to the JIU questionnaire but also on the mandate contained in their terms of reference or charter. As a result, it was found that eight<sup>15</sup> audit and oversight committees met the criterion; the remaining committees only partially met it.

#### A. Oversight functions

##### Internal audit function

58. Over the past two decades, the role of audit and oversight committees has evolved to make them an independent oversight body primarily with regard to the audit and financial reporting processes. However, the increasing importance of the risk governance structure in the United Nations system, as well as in the private and public sectors in general, has gradually made risk oversight an indispensable additional key responsibility of the audit and oversight committee.

59. During the review it was found that the terms of reference or charter of all 18 of the audit and oversight committees analysed defined the responsibilities of the committees with respect to the internal audit function. The committees' mandate is to review the scope of internal audit plans and work programmes and to strengthen the effectiveness and independence of internal audit, ensuring that the resources available to the function are commensurate with its responsibilities.

60. The majority of the audit and oversight committees in the JIU participating organizations play a fairly influential role regarding the audit function. The responses from the organizations showed that these committees review the internal audit charter, mission, required resources and organizational structure, as well as its independence and performance, including the quality of the audit work provided and adherence to oversight charters, procedures and applicable international auditing standards.<sup>16</sup>

61. The audit and oversight committee of WMO appraises the mechanisms used by the secretariat to recommend the appointment of an internal auditor, while in eight organizations (ICAO, ILO, UNDP, UNFPA, UNHCR, WFP, WIPO and UN-Women), the committees are much more involved and play a more active role in selecting, appraising or replacing the head of the respective internal audit and/or oversight services.

<sup>15</sup> The committees of UNDP, UNESCO, UNFPA, UNICEF, UNRWA, UN-Women, WFP and WIPO.

<sup>16</sup> United Nations Secretariat, FAO, ICAO, ILO, ITU, UNDP, UNESCO, UNFPA, UNHCR, UNICEF, WFP, WIPO and WMO.

62. All internal audit officials interviewed affirmed the support and leverage that their function received from the committees at both the operational and functional levels.

### **Investigation function**

63. During the review it was found that all 18 of the audit and oversight committees covered in the present report reviewed and advised on the investigation function and on investigation-related issues, although in some cases it was not explicitly mentioned in their terms of reference or charter. In this regard, the terms of reference of the committees of ICAO, ILO, ITU, UNDP, UNHCR and UNIDO do not make any reference to the responsibilities of the committees pertaining to the investigation function of their organization, despite the fact that all those organizations have professional investigative components.

64. All audit and oversight committees that include the oversight of the investigation function in their terms of reference or charter<sup>17</sup> review the resources available for the investigation function, with the exception of the committees of UNIDO, UN-Women, WHO and WIPO. The terms of reference of the audit and oversight committees of FAO, UNFPA, UNOPS and UN-Women stipulate that they should advise on the adequacy of the investigations strategy, policies, standards and workplans, while the charter of the Audit Advisory Committee of UNICEF refers to the arrangements for, effectiveness of and resources for investigation. The terms of reference or charter of those committees, in addition to those of ILO, ITU, UNESCO, UNIDO, WFP, WIPO and WMO, foresee an advisory role with regard to the independence, effectiveness and efficiency of the investigation function. The Inspector believes that these are good practices that should be emulated across the United Nations system.

### **Evaluation function**

65. During the review, it was found that nine of the committees<sup>18</sup> expressly included the review of the evaluation function among their responsibilities in their terms of reference or charter. The remaining committees consider the review of the evaluation function as part of their oversight function, although it is not stipulated in their terms of reference. According to UNICEF and UN-Women, their audit and oversight committees also review the evaluation function, although these two organizations have an independent advisory committee on evaluation. FAO and ILO have an internal specialized entity in charge of evaluation. Their activities are not under the purview of the audit and oversight committee.

66. During the interviews, the Inspector was informed by some officials that the current arrangement made them reluctant with regard to transferring the evaluation oversight responsibility from a specialized committee to the audit and oversight committee, whose composition was, by its nature, not adapted to evaluation.

67. In contrast, some of the other officials interviewed indicated that the inclusion of a limited mandate regarding the evaluation function among the standard responsibilities of the audit and oversight committee would enhance the performance of the organization by strengthening the committees' oversight mandate. In addition, this could avoid duplication and overlap in the workplans of the audit and oversight and evaluation committees. In the opinion of other officials, this would contribute to cost-efficiency and reinforce coordination and coherence in the audit and oversight committees' activities within the United Nations system. The Inspector concurs with this view, taking into account the uniqueness and circumstances of the organization in question. In fact, given the diversity of the missions, mandates and operational activities of each organization, governance and oversight arrangements cannot adopt a "one-size-fits-all" approach.

---

<sup>17</sup> The committees of the United Nations Secretariat, FAO, UNDP, UNESCO, UNFPA, UNICEF, UNOPS, UN-Women, WFP, WIPO and WHO.

<sup>18</sup> The committees of ICAO, UNDP, UNESCO, UNFPA, UNICEF, UNRWA, UN-Women, WHO and WIPO.

68. The implementation of the following recommendation is expected to strengthen internal oversight functions and enhance effectiveness and coherence.

**Recommendation 2**

**The legislative and/or governing bodies of the United Nations system organizations that have not already done so should ensure that the terms of reference or charter of the audit and oversight committees of their respective organizations are revised to reflect all the internal oversight functions that are part of the responsibilities and activities of the committee, where applicable, by the end of 2021.**

**External audit**

69. It is important to point out that the United Nations system presents special characteristics influencing the arrangements for its audit and oversight committees which are not present in the public sector. The committees' roles with respect to external audit are limited because external auditors are fully independent and elected by legislative bodies from among national supreme audit institutions. The committees' primary responsibilities are to highlight emerging risks from the external auditors' reports and draw the attention of executive management and the legislative body to the concerns identified, review the adequacy of the management response to the observations and recommendations issued and exchange views with the external auditors, thereby assisting in avoiding any overlaps between internal and external audit. In fact, most audit and oversight committees reviewed monitor the compliance of management with external audit recommendations.

**B. Internal controls and risk management**

**Criterion 4: Audit and oversight committees should review and advise on the effectiveness of the internal control systems of the organization, including enterprise risk management.**

70. Reviewing and advising on internal controls and risk management – which are generally considered to be an integral component of the internal control system – constitute standard responsibilities for all the audit and oversight committees reviewed. This analysis is based on the following three elements: (a) advice on internal controls and enterprise risk management; (b) advice on deficiencies, irregularities and risk exposure owing to weaknesses in the internal control system; and (c) advice on cybersecurity.

71. The audit and oversight committees of the United Nations Secretariat, ICAO, ITU, UNESCO, UNFPA, UNHCR, UN-Women and WIPO indicated that they might address deficiencies, weaknesses, irregularities and exposure to risks, which is in line with good practices as defined in the JIU criteria. Cybersecurity risks are the subject of consideration of some organizations' audit and oversight committees, but this has not yet been included in some terms of reference. Only the terms of reference of the UNESCO audit and oversight committee meets all three elements of this criterion.

72. In practice, some organizations' audit and oversight committees, while not necessarily stating it in their terms of reference or charter, already review related risks, which could extend to the oversight of activities to minimize cybersecurity risks. However, officials interviewed stressed that the committees needed adequate specialized expertise to oversee such issues, which was a challenge given the broad range of skills already sought from the audit and oversight committee membership.

73. The implementation of the following recommendation is expected to enhance the effectiveness and efficiency of the organizations.

**Recommendation 3**

**The legislative and/or governing bodies of the United Nations system organizations that have not already done so should ensure that provisions regarding the internal control framework and risk management are included in the terms of reference or charter of their respective audit and oversight committees by the end of 2021 in order to ensure that due attention is paid to addressing internal control weaknesses and emerging risks.**

**C. Accounting, financial reporting and regulations**

74. The pivotal responsibility of the United Nations system organizations with regard to finance is mainly twofold, concerning both accounting and finance reporting.

**Criterion 5: Audit and oversight committees should advise the legislative and/or governing body on the operational implications for the organization of the issues and trends apparent in the financial statements of the organization and reports of the external auditor, as well as the appropriateness of accounting policies and disclosure practices.**

75. This analysis is based on the following provisions of the terms of reference or charter of the audit and oversight committees, which are considered good practices according to international principles and standards: (a) review of the financial statements, which is undertaken by all 18 audit and oversight committees; (b) review of accounting and financial policies, which is undertaken by 10 of the committees; and (c) review of changes to the financial regulations and rules, which is undertaken by only five of the committees.

76. In addition, the committees of UNDP, UNFPA, UNOPS and UN-Women are mandated to review and advise on the governance, development and management of information technology systems that have an impact on financial management and reporting. This is considered a good practice that could be emulated across the United Nations system, where applicable. These financial management review provisions appear to be especially appropriate and forward-looking in the light of increasing problems with cybersecurity, and should thus, in the view of the Inspector, be emulated by other audit and oversight committees across the United Nations system.

77. In line with the good practices already implemented by some of the audit and oversight committees reviewed, as well as previous relevant JIU recommendations, terms of reference or charters dealing with advice on financial statements and reports should include advice and guidance on any significant changes in related accounting and financial policies, presentation and disclosure, as well as on any proposed changes to the financial regulations and rules.

**D. Ethics**

78. The ethics function has been institutionalized in almost all United Nations system entities since the issuance of the United Nations Secretary-General's bulletin ST/SGB/2007/11. The impact of ethics-related policies and procedures is growing in importance as one of the key elements of the United Nations system's accountability framework.

**Ethics function**

**Criterion 6: Audit and oversight committees should review and advise on the ethics function.**

79. During the review, it was found that the terms of reference of 3 of the 18 audit and oversight committees (the committees of the United Nations Secretariat, UNHCR and UNIDO) did not include the ethics function under their purview, despite the fact that the function was well established in their respective organization (see table 2). It is recommended that the ethics function be included in the terms of reference of these audit and oversight committees in order to be in line with good practices.

80. In terms of the United Nations Secretariat, it is important to highlight that, in response to General Assembly resolution 71/263, the Secretary-General proposed some measures for strengthening the independence of the Ethics Office, including direct annual reporting by the Ethics Office on its activities to the General Assembly, in line with the practice of the Office of Internal Oversight Services and as recommended by JIU; and adding a reporting line to IAAC for guidance with respect to the Ethics Office workplan and the performance evaluation of the Head of the Office for greater operational independence (A/73/89, paras. 94 (a) and (b)). **The Inspector welcomes these important measures and invites the General Assembly to endorse them in order to enhance the accountability framework.**

81. It is important to note that new provisions were added to the terms of reference of the audit and oversight committees of WIPO and ICAO during their revision in 2017 and 2018, respectively. The audit and oversight committees of these two organizations are involved in the appointment and dismissal process of the ethics officer, which is in conformity with good practices.

82. Analysis revealed that ethics is a standing item on the agenda of the audit and oversight committees in several United Nations organizations. However, some ethics officials indicated that they did not have the opportunity to meet with committee members as regularly and privately as internal oversight officials did.

83. **Given the importance of ethics in shaping the culture and reputation of the United Nations system organizations, as well as the need for this function to remain independent from management, the collaboration between the officials discharging this function with the audit and oversight committee members should, in the Inspector's view, be institutionalized and given greater visibility, as applicable.**

#### E. Fraud-prevention activities

**Criterion 7: Audit and oversight committees should review and advise on the systems established and measures taken by the organization to prevent fraud.**

84. During the review, it was found that fraud prevention had been recently included in the purview of some audit and oversight committees. This analysis is based on two elements of their terms of reference or charter: (a) fraud prevention; and (b) whistle-blower protection. The analysis shows that the terms of reference of 5 of the 18 audit and oversight committees reviewed<sup>19</sup> do not mention anti-fraud activities and related systems and the terms of reference or charter of 6<sup>20</sup> do not include a reference to their oversight role regarding whistle-blower protection policy and organizational arrangements. Some organizations indicated that, although not stipulated in the terms of reference, their audit and oversight committees reviewed those policies.

85. According to good practice, the terms of reference of 11 audit and oversight committees<sup>21</sup> meet this criterion but the remaining ones do not. The review found that their terms of reference did not

<sup>19</sup> The committees of the United Nations Secretariat, ILO, ITU, UNIDO and WHO.

<sup>20</sup> The committees of the United Nations Secretariat, ILO, ITU, UNICEF, UNIDO and WHO.

<sup>21</sup> The committees of FAO, ICAO, UNDP, UNESCO, UNFPA, UNOPS, UNRWA, UN-Women, WFP, WIPO and WMO.

contain provisions related to fraud prevention and whistle-blower protection, although the importance of those activities had been highlighted in a recent JIU report (JIU/REP/2018/4).

86. The following recommendation is expected to enhance the accountability framework of the United Nations system organizations.

**Recommendation 4**

**The legislative and/or governing bodies of the United Nations system organizations that have not already done so should give due consideration to including the oversight of ethics and anti-fraud activities in the revised terms of reference or charter of their audit and oversight committees in order to strengthen the accountability frameworks of their respective organizations by the end of 2021, provided that these audit and oversight committees meet the independence criteria.**

**F. Coordination of oversight activities**

87. Effective coordination and collaboration are essential to an organization's success. The accuracy of information and its dissemination among stakeholders (internal and external auditors, management and legislative and/or governing body) are critical to effectiveness, efficiency and credibility.

**Criterion 8: Audit and oversight committees should strengthen communication and cooperation among stakeholders, external and internal auditors, management and the legislative and/or governing body.**

88. The independent audit and oversight committees should be entrusted to ensure that there is proper coordination of oversight activities within the organization. In addition, open communication and informal consultations would boost collaboration and cooperation among the actors who share oversight responsibilities. The terms of reference or charter of some independent audit and oversight committees in the United Nations system contain a mandate to coordinate the oversight activities between the internal and external audit functions.

89. As a subsidiary organ of the United Nations General Assembly, IAAC is the only audit and oversight committee in the United Nations system that is mandated to advise the General Assembly on the cooperation between the internal and external United Nations oversight bodies (the Office of Internal Oversight Services, the Board of Auditors and JIU, including their tripartite meetings), and to make proposals regarding measures to increase and facilitate such cooperation. This is a good practice, given the importance of communication and coordination among all stakeholders. **With respect to improving coordination and collaboration between the internal and external oversight functions, legislative and/or governing bodies should consider assigning an advisory role in this regard to the audit and oversight committees of their respective organizations.**

#### IV. MEMBERSHIP AND APPOINTMENT PROCESS

90. An audit and oversight committee's performance depends on how well its individual members perform. Therefore, the selection of suitably qualified members is a critical factor in the delivery of the committee's mandate. Each member should be capable of making a valuable contribution; diverse backgrounds and perspectives among the members is desirable in order to enhance the skill set of the committee.

91. In the private sector, membership of audit committees is strictly regulated and members must conform to any applicable laws and regulations. In public administrations around the world, given that the audit committees form an integral part of States' efforts to ensure the rigorous stewardship and accountability of public funds across their operations, their membership is also strictly regulated.

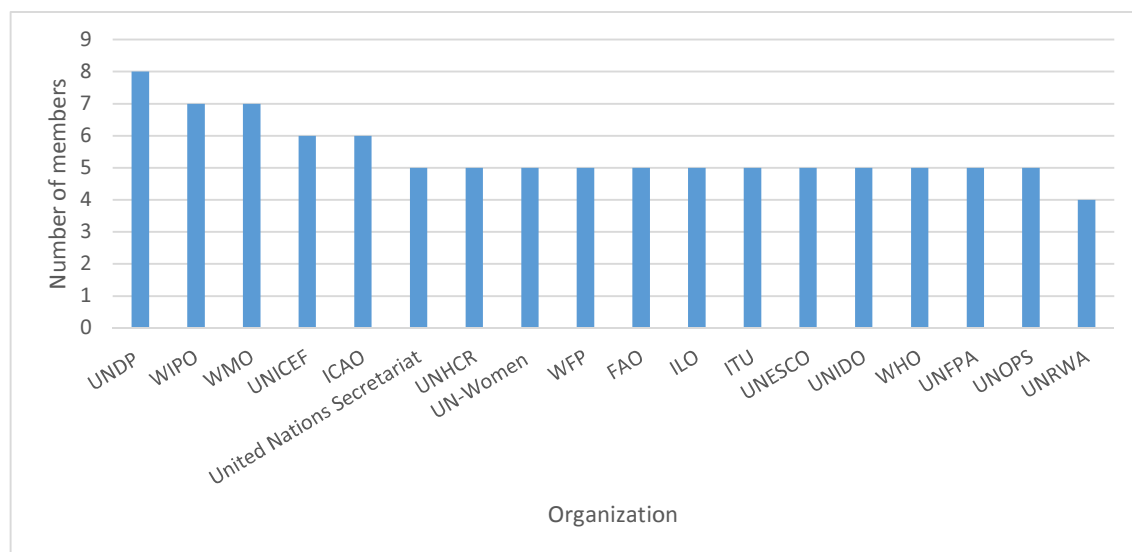
92. In the United Nations system organizations, audit and oversight committee membership and composition, including the selection and appointment process of members, are laid out in their terms of reference or charter.

##### A. Committee composition

93. According to a global IIA study on independent audit committees in public sector organizations, audit committees generally have between three and eight members, with the typical audit committee having four or five.<sup>22</sup> However, in practice, the composition of the audit and oversight committee depends on a variety of factors, such as the organization's size, complexity and responsibilities, as well as the degree of involvement of the audit and oversight committee in oversight activities.

94. In the United Nations system, the size of the audit and oversight committee varies regardless of the size, mission and governance structure of the organization, as indicated in figure III. For example, the audit and oversight committees of UNDP, WIPO and WMO have the most members, despite the widely different mandates and sizes of these organizations.

**Figure III**  
**Number of members of the 18 independent audit and oversight committees reviewed**



Source: Responses to the JIU questionnaire.

<sup>22</sup> "Global public sector insight", p. 10.



### **Geographical representation and gender balance**

95. The terms of reference or charter of all audit and oversight committees under review, except that of UNRWA, indicate that geographical representation has to be taken into consideration in the membership. The provisions of some committees (such as those of ILO and ITU) also mention representation of both developed and developing countries, which is a good practice.

96. On the basis of the responses received to the JIU questionnaire, all organizations consider gender balance in the membership of their audit and oversight committees, which is considered a good practice. Nonetheless, not all of their terms of reference or charters include provisions related to this issue.

97. Although geographical representation and gender balance are important and should be taken into account, where applicable, all the Chairs of legislative and governing bodies interviewed confirmed that priority should be given to the required skill set and expertise that met the needs of the organization.

### **Criteria for audit and oversight committee membership**

98. The requirements regarding qualifications and skills depend on the responsibilities that the audit and oversight committees have to discharge. In addition to professional requirements, personal qualities, including independence, objectivity, impartiality and integrity, as well as strong ethics and strong communication skills, are necessary. As committee members are mandated to provide oversight of management practices in key governance areas, the criteria for selecting them should be well defined in the terms of reference or charter.

**Criterion 9: Criteria for audit and oversight committee membership should be clearly defined in the terms of reference or charter.**

### **Personal qualities and qualifications**

99. According to some of the terms of reference or the charter of the audit and oversight committees reviewed, committee members are not held personally liable for the advice of the committee as a whole in the course of exercising their responsibilities. In this regard, it is crucial that, prior to their appointment, background checks should be made and candidates should be requested to provide disciplinary records and declare past and/or current conflicts of functions and interests. Furthermore, committee members are required to serve in a professional and ethical manner in their personal, private capacity and be independent of the organization in order to be objective and impartial.

100. In most of the terms of reference or the charter of the 18 audit and oversight committees<sup>23</sup> analysed, it is emphasized that members should be non-executive and external to the organization and that they should not seek or receive instructions from any Government or other authority external to or within the organization to which their committee belongs. Dedicating sufficient time and energy to committee work is also an imperative; ideally, the required time commitments should be spelled out clearly in the membership selection process.

101. The results of the analysis of the terms of reference or charter of the 18 audit and oversight committees, in addition to the analysis of the responses to the JIU questionnaire, show that the independence of audit and oversight committee members is required across all 18 organizations and that a “cooling-off” period is required before staff can join the audit and oversight committees of their organization. The cooling-off period varies from one to five years and is included in the terms of reference or charter of 14 committees.<sup>24</sup> Such a cooling-off period is also applied by four organizations<sup>25</sup>

<sup>23</sup> In those of the United Nations Secretariat, FAO, ICAO, ILO, ITU, UNDP, UNESCO, UNFPA, UNHCR, UNICEF, UNIDO, UNOPS, UN-Women, WFP, WIPO and WMO.

<sup>24</sup> The committees of the United Nations Secretariat, FAO, ICAO, ILO, ITU, UNESCO, UNFPA, UNHCR, UNICEF, UNIDO, UNRWA, UN-Women, WFP and WMO.

<sup>25</sup> ILO, ITU, UNFPA and WFP.

to members of external audit committees wishing to apply for employment in these organizations. The requirement for a declaration of interest and financial disclosure are included in the terms of reference or charter of 15 of the committees. Such principles are considered good practices that should be emulated across the audit and oversight committees of the United Nations system organizations.

### **Professional requirements**

102. Most requirements concern expertise and experience in finance, accounting, risk management or auditing. Given that a number of audit and oversight committees routinely give advice on more technical programmatic and scientific work as well, additional technical skills and attributes may also be required, such as ethics and compliance expertise and/or knowledge of the business of the organization.

103. In the terms of reference or charter of 10 of the committees<sup>26</sup> reviewed, it is highlighted that relevant experience is required at the senior level. The terms of reference of only four committees<sup>27</sup> specify that United Nations system experience, or other international or intergovernmental experience, is also a membership requirement. The terms of reference of a few committees indicate that the experience should be recent to make sure that the candidates are up to date with developments in their area of expertise. Understanding of the organization's mandate, culture, legal framework and its external environment is also a must for some organizations in which technical knowledge and working familiarity with the relevant industry and scientific field is important, as is the case for ITU, WIPO and WMO.

104. Officials interviewed indicated that the leadership shown by the audit and oversight committee Chair is very important for the committee's effectiveness, since he or she represents the committee and is responsible for taking many initiatives and actions. The Chair of the majority of the committees reviewed is elected by his or her peers, while in a few organizations the Chair is appointed by the executive head (see annex III).

105. It was observed that some audit and oversight committee members sit simultaneously on more than one such committee of the United Nations system. Provided that they do not engage in any activity that could impair their independence and that they can devote sufficient time to all their commitments, the officials and Chairs interviewed indicated that such parallel membership was an opportunity to enrich the experience of the incumbent and allowed for the cross-fertilization of ideas and for the sharing of the good practices of one committee with members of other committees.

## **B. Selection process and appointment**

### **Candidate identification and selection process**

106. During the review it was found that the selection process had not been formalized in most of the United Nations system organizations. It also found that six JIU participating organizations (ILO, ITU, UNHCR, UNIDO, WFP and WMO) had published instructions on the process to be followed whenever a vacancy on their committees occurred. The process comprises external advertisements, a call for nominations from member States and the recruitment of a specialized external agency for application screening and preparing a shortlist of candidates. JIU was informed that current members of the Independent Management Advisory Committee of ITU were selected on the basis of the selection process document annexed to the resolution in which the ITU Plenipotentiary Conference established the committee (ITU Resolution 162 (Rev. Busan, 2014), appendix B). This seems to be a good practice; however, it may have financial implications for some organizations. In this regard, JIU suggests that United Nations system organizations could have a system-wide selection process to identify suitable candidates who would then be placed on a roster of available candidates, to be selected by the

<sup>26</sup> The committees of ICAO, ILO, ITU, UNESCO, UNHCR, UNICEF, UNIDO, WFP, WIPO and WHO.

<sup>27</sup> The committees of ILO, UNESCO, UNOPS and WIPO.

organization to fill vacancies on the basis of overall expertise and relevant criteria, including gender balance and geographical representation.

107. The terms of reference of the audit and oversight committees of ILO and UNHCR require that the assessment process of the candidates be carried out by a specialized private-sector company. In practice, ITU and WHO do the same, although it is not included in the terms of reference of their committees. The remaining organizations use different modalities to assess candidates for their committees, including their legislative and/or governing body or by an internally-constituted selection panel.

108. The Inspector considers that any selection process should be based on transparency, professionalism, integrity, competitiveness and equal opportunity for all, in line with good practices.

#### **Approval and appointment of new members**

109. According to good practices, the selection process should be based on merit, taking into account the requirements of professional and personal qualifications, and should be open, wide-reaching and transparent. The final selection of candidates should be rigorous, objective, merit-based and approved by the legislative and/or governing body being served by the audit and oversight committee, in line with good practices. However, analysis of the terms of reference or charter of the 18 audit and oversight committees regarding final candidate approval and appointment process shows that this practice is not applied by all the participating organizations under review.<sup>28</sup> Some legislative and/or governing bodies appoint the members of the audit and oversight committees that report to them directly or through their standing committees; some legislative and/or governing bodies also appoint members of those committees that have a dual reporting line (see figure II). In contrast, for those audit and oversight committees that report to the executive head only, members are also appointed by the executive head.

110. In order to preserve the independence of the committee members and enhance their ability to assist and advise the legislative and/or governing bodies, it is recommended that the legislative and/or governing bodies, on the basis of the information provided by executive heads, review and approve the final selection of the audit and oversight committee members of their organizations.

111. The majority of the Chairs of audit and oversight committees and senior officials interviewed indicated that the involvement of both the executive head and legislative and/or governing body in the final approval and appointment of new committee members on the basis of relevant experience, personal qualifications, equitable geographical representation and gender balance, where applicable, would avoid any conflict of interest and political interference in the committee.

**112. The Inspector is of the opinion that the terms of reference or charter of United Nations system audit and oversight committees need to be amended to include provisions for the selection and appointment process of new members. These provisions should ideally foresee an active outreach effort for the solicitation of candidates, taking into account standard operating procedures and gender balance and geographical representation, where applicable.**

---

<sup>28</sup> The members of the Evaluation and Audit Advisory Committee of ICAO are nominated by their Governments, which also cover their travel expenses, including daily subsistence allowance. The members of the Advisory Committee on Internal Oversight of UNRWA are selected and appointed by the Commissioner-General, in consultation with the Director of the Department of Internal Oversight Services.

113. The following recommendation is expected to enhance and increase the effectiveness of audit and oversight committees.

**Recommendation 5**

**In order to meet the needs of the organizations, the legislative and/or governing bodies of the United Nations system organizations that have not already done so should consider revising and updating the terms of reference or charter of their audit and oversight committees to contain provisions related to the relevant skills and professional expertise of members, including a balanced mix of public and private sector experience at the senior level. In addition, a strong understanding of the structure and functioning of the United Nations system and/or intergovernmental and international organizations is desirable.**

**C. Formal induction training**

114. In order to become familiar with the purpose, mandate, objectives and culture of the organization, new members of the audit and oversight committee should receive formal induction training. However, during the review it was found that such orientation was mostly informal and was not well defined or structured across the United Nations organizations under review. Only three organizations (WFP, WIPO and WMO) include a formal induction training session in their committees' terms of reference; the remaining organizations provide such a training session to their committee members, although it is not mandated by their terms of reference or charter. In fact, based on the responses from the participating organizations, committee members are provided with a briefing, including information packages with essential background material. Some of the organizations, such as ILO, UNESCO, UNFPA, UNICEF, UNIDO and WHO, store all the documents issued since the inception of their committee on a dedicated website.

115. In some organizations,<sup>29</sup> most of the induction briefings about the core operations of the organizations are provided by the secretariats of the audit and oversight committees, while substantive briefings are given by the heads of different key departments of the organization. In addition to briefings at their headquarters, ILO, UNHCR, UN-Women and WHO have organized field missions and regional visits for the members of their audit and oversight committees.

**116. The Inspector considers formal induction training to be very important as it enables new members of audit and oversight committees to become familiar with the culture and the objectives of the organization, as well as its operational activities, as soon as they join the committee. Therefore, it is recommended that induction training be formalized in line with good practices within the United Nations system organizations.**

---

<sup>29</sup> United Nations Secretariat, ICAO, ILO, ITU, UNDP, UNICEF, UNIDO, UNOPS, WFP, WHO, WIPO and WMO.

## **V. AUTHORITY AND MODE OF OPERATION OF AUDIT AND OVERSIGHT COMMITTEES**

117. Two main features distinguish audit and oversight committees in the United Nations system from audit committees in the national and international public and private sectors in the way they operate: remuneration and the extent of the authority of the committees, which are limited by the prerogatives and sovereign nature of member States.

### **A. Authority of audit and oversight committees**

#### **Current United Nations system practices**

118. The audit and oversight committee should have all the necessary authority to fulfil its responsibilities. The authority of the committees to perform their work derives from their establishing document, either the terms of reference or charter. In this regard, audit and oversight committees should have unrestricted access to staff members and non-staff of the organization and any relevant information that they consider necessary to discharge their duties.

#### **Right to unrestricted access to information and all categories of staff**

119. The terms of reference or charter of 10 of the audit and oversight committees of JIU participating organizations<sup>30</sup> state that the committees have full access to records, data and reports, interchangeably using the term “unrestricted” and “unhindered”. Some terms of reference underline that the information sought and obtained could be of a confidential and privileged nature. The terms of reference of the Independent Management Advisory Committee of ITU specify that it may have access to all external audit and internal audit records.

#### **Authority to hire external independent expertise**

120. The terms of reference or charter of audit and oversight committees of 10 JIU participating organizations<sup>31</sup> indicate that they may engage independent counsel and specialists and/or other independent professional advice and expertise as they deem necessary to help them carry out their duties. While the terms of reference or charter do not normally contain specific budgetary arrangements for such cases, it may be presumed that the organizations concerned have an implicit obligation to meet the associated costs.

#### **Follow-up and monitoring of the internal and external oversight recommendations**

121. According to their terms of reference or charter, all the audit and oversight committees reviewed are mandated to follow up the implementation by management of the recommendations issued by internal and external oversight entities. The analysis of the reports on the activities of the audit and oversight committees and the responses from the JIU participating organizations show that all the committees monitor and report on the status of the implementation of their own recommendations. This review found that 11 committees monitored the progress made by management in implementing JIU recommendations. Furthermore, the compliance of management with external audit recommendations is followed up by all the committees reviewed (see table 2).

122. Internal audit recommendations are monitored by all audit and oversight committees, as is the status of implementation of recommendations of the internal investigation functions. This review found that only 9 committees monitored the implementation of evaluation-related recommendations and 10 monitored on the status of recommendation issued by the ethics office (see table 2).

---

<sup>30</sup> FAO, ILO, ITU, UNDP, UNESCO, UNFPA, UNICEF, UNOPS, WFP and WIPO.

<sup>31</sup> FAO, ITU, UNFPA, UNICEF, UNOPS, UNRWA, WFP, WHO, WIPO and WMO.

123. In this context, the Inspector is of the opinion that all the committees should monitor and follow up the implementation of all recommendations of internal and external audits, including those of JIU, in order to enhance the coherence and performance of the organizations.

Table 2

**Follow-up by audit and oversight committees of the implementation by management of recommendations issued by oversight functions**

Audit and oversight committees of JIU participating organizations	Reporting line of committees	Audit and oversight committees' follow-up of recommendations issued by:						
		Audit and oversight committees	Joint Inspection Unit	External audits	Internal audits	Investigation function	Evaluation function	Ethics function
United Nations Secretariat	■	✓	✓	✓	✓	✓	-	-
UNDP	✕	✓	-	✓	✓	✓	✓	✓
UNFPA	✕	✓	-	✓	✓	✓	✓	✓
UNHCR	□	✓	✓	✓	✓	✓	-	-
UNICEF	✕	✓	✓	✓	✓	✓	✓	✓
UNOPS	✕	✓	✓	✓	✓	✓	*	✓
UNRWA	✕	✓	-	✓	✓	✓	✓	✓
UN-Women	✕	✓	✓	✓	✓	✓	✓	✓
WFP	□	✓	-	✓	✓	✓	-	✓
FAO	□	✓	-	✓	✓	✓	-	✓
ICAO	■	✓	✓	✓	✓	✓	✓	✓
ILO	■	✓	-	✓	✓	✓	-	✓
ITU	□	✓	-	✓	✓	✓	-	✓
UNESCO	✕	✓	✓	✓	✓	✓	✓	✓
UNIDO	□	✓	✓	✓	✓	✓	-	-
WHO	■	✓	✓	✓	✓	✓	✓	✓
WIPO	■	✓	✓	✓	✓	✓	✓	✓
WMO	□	✓	✓	✓	✓	✓	-	✓

Source: Terms of reference or charter of the audit and oversight committees, annual activity reports of the committees and responses of the JIU participating organizations.

Key: (■) = legislative and/or governing body; (□) = legislative and/or governing body and executive head; (✕) = executive head

\* Not applicable for UNOPS

### Dealing with specific allegations

124. In a number of United Nations system organizations, formal reporting channels for reporting and investigating allegations of misconduct against executive heads and heads of oversight services have not yet been designated. The Inspector recalls that, in its report on the review of whistle-blower policies and practices in United Nations system organizations (JIU/REP/2018/4), JIU recommended that legislative bodies should adopt measures by 2020 to ensure that all policies related to misconduct/wrongdoing and retaliation specified appropriate channels and modalities, such as independent oversight committees, for reporting and investigating allegations against the executive head of the organization as well as against any other functions that might entail a potential conflict of interest in the handling of such issues. The Inspector emphasizes the need to act on this recommendation.

### **Review of the audit and oversight committees' terms of reference or charter**

125. Given the increasing responsibilities and evolving role of audit and oversight committees, it is necessary for their legal framework to be reviewed and updated periodically so that they may progressively integrate the emerging challenges and priorities of the organizations.

126. Detailed analysis of the terms of reference or charter of the 18 audit and oversight committees revealed that half of them<sup>32</sup> contain provisions regarding the periodic review of those terms of reference. However, the periodicity of the review varies and is not well defined in most terms of reference, except for those of UNHCR and WIPO, which require such a review every two years and three years, respectively. This is a good practice that should be taken into consideration by other organizations.

### **Establishing their own rules and procedures**

127. The audit and oversight committees should have the authority to establish their own rules and procedures in conformity with their terms of reference or charter. This, however, is not yet the case in most of the audit and oversight committees, with the exception of those of the United Nations Secretariat, ILO, UNESCO, UNHCR, UNIDO and WFP.

### **Limitations and challenges**

128. Some officials of the participating organizations interviewed were of the view that not all members of the existing audit and oversight committees were up to date in their domain of expertise. Continuing education and keeping abreast of developments in fast-changing fields of special expertise is expected from all committee members. Any lacunae should be remedied through an improved, more objective and rigorous membership selection process based on merit, as well as continuing education of the audit and oversight committee members. In addition, applying term limits could also be an appropriate means of mitigating risks in relation to members' expertise.

## **B. Mode of operation**

### **Administrative and budgetary arrangements**

129. All organizations reviewed provide logistical and administrative support to the audit and oversight committee to carry out its oversight activities. However, this support may vary owing to the different practices of the organizations.

130. Concerning remuneration, it is worth recalling that, unlike the private sector, all audit and oversight committee members in the United Nations system organizations reviewed provide their services on a pro bono basis, except in the case of the UNFPA committee, whose members receive fees for their services performed in order to compensate them for the time needed to fulfil their mandated responsibilities.<sup>33</sup> This practice is also applied by IMF. According to the terms of reference of the Advisory Committee on Oversight of UN-Women, members of the committee receive an annual stipend for their oversight activity, which is set up by the Executive Director at the beginning of every calendar year. The Chair receives an additional stipend.

131. However, in accordance with each organization's financial regulations and rules, members of audit and oversight committees are paid a daily subsistence allowance and associated travel expenses for attending meetings by the organization they serve, except ICAO, which is the only United Nations system organization that does not pay a daily subsistence allowance or travel expenses to committee members. Such expenses are met by the Governments which sponsor them. This practice may limit the number of candidates that this organization is able to attract. The terms of reference of

---

<sup>32</sup> The committees of ICAO, ITU, UNDP, UNHCR, UNRWA, UN-Women, WFP, WHO and WIPO.

<sup>33</sup> UNFPA Oversight Advisory Committee terms of reference, para. 29.

some committees<sup>34</sup> also include provisions on committee members' reimbursable expenses, communications costs and some other related expenses. However, the Inspector was informed that the prestige associated with serving on these committees, as well as the satisfaction of contributing to a good cause, still seems to assure a sufficient number of applications from candidates of a high calibre.

132. The terms of reference or charter of eight audit and oversight committees of the JIU participating organizations<sup>35</sup> stipulate that an indemnity is to be paid to audit and oversight committee members for actions suffered as a result of activities performed in the course of exercising their oversight duties in good faith. The Inspector encourages other organizations to consider applying this good practice.

**Criterion 10: Audit and oversight committees should have administrative support and adequate resources in order to fulfil their oversight responsibilities.**

### Financial resources

133. According to the interviews with audit and oversight committee Chairs, as well as the responses to the JIU questionnaire and as reflected in table 3 below, the modalities of allocating a budget to cover the activities of audit and oversight committees vary within the United Nations system organizations. Although a budget is dedicated to the work of the audit and oversight committees, it is annexed to other budgets, except in the case of the United Nations Secretariat, ILO, UNIDO and WIPO, whose committees have a separate budget allocation. This is considered a good practice that could be emulated across the United Nations system.

Table 3

#### Financial resources of the 18 audit and oversight committees under review

Financial resources of audit and oversight committees	Organization
Separate budget allocation	United Nations Secretariat, ILO, UNIDO, WIPO
Part of the internal oversight budget	ICAO <sup>a</sup> , UNICEF
Separate budget managed by the internal audit office	UNESCO, UNFPA, UNHCR
Part of the management budget	UNDP, UNOPS, UN-Women, WFP, WHO, WMO
Allocation of the budget not stipulated in the committees' terms of reference	FAO, ITU, UNRWA

Source: Interviews and responses to the JIU questionnaire

<sup>a</sup> The travel costs and daily subsistence allowance of the audit and oversight committee members of this organization are paid by their Governments.

134. The budget of an audit and oversight committee should be sufficient to cover all the expenses related to its activities. Despite the lack of a specific budget allocation for some of the committees reviewed, none of the current or outgoing committee Chairs interviewed complained about their committees not having sufficient financial resources to carry out their activities and workplans. This is also a result of the mitigating provision contained in the terms of reference or charter of 12 of the 18 committees<sup>36</sup> reviewed that allows the committee to hire independent experts as and when it deems that this is required.

<sup>34</sup> The committees of UNDP, UNFPA and UNOPS.

<sup>35</sup> The committees of ILO, UNDP, UNFPA, UNHCR, UNICEF, UN-Women, WFP and WIPO.

<sup>36</sup> The committees of the United Nations Secretariat, FAO, ILO, ITU, UNDP, UNFPA, UNICEF, UN-Women, WFP, WHO, WIPO and WMO.



135. **In order to enhance the independence and effectiveness of audit and oversight committees, the Inspector recommends that a separate budget be allocated to the committees to carry out their oversight responsibilities.**

#### Secretariat support

136. All the audit and oversight committees within the United Nations system organizations reviewed are supported by a secretariat provided by the organization they serve in order to manage their activities, although most of the secretariats are not independent or autonomous as they are located in different departments of their respective organizations. Only IAAC of the United Nations Secretariat is supported by a dedicated secretariat that operates with autonomy similar to that of the secretariats of the Advisory Committee on Administrative and Budgetary Questions and the International Civil Service Commission (see table 4).

137. The officials interviewed were divided regarding the preferred location of the secretariats. Many seemed to think that there was no conflict of interest in placing the secretariat in the internal audit office and that it was well placed within the oversight services. Moreover, some UNFPA officials interviewed stated that the current set-up adequately protected the independence of the committee secretariat as well as the independence of its internal oversight services.

Table 4

#### Location of secretariats of the 18 audit and oversight committees reviewed

Location of secretariats of audit and oversight committees	Organization
Office of internal audit and oversight	ICAO, UNDP, UNESCO, UNFPA, UNHCR, UNICEF, UNIDO, UNRWA
Executive, management or strategy and policy office	FAO, ITU, UNOPS, UN-Women
Secretariat of governing body	WFP, WMO
Office of the Controller	United Nations Secretariat, <sup>a</sup> ILO, WHO, WIPO

Source: Interviews and responses to the JIU questionnaire.

<sup>a</sup> The secretariat of IAAC is autonomous, although it is located in the Office of the Controller.

138. During the interviews, a few officials indicated that some offices assuming the audit and oversight committee secretariat function lacked the human and financial resources to carry out the committee work. This challenge negatively affects their work and hinders them from meeting the committee members' expectations. In this respect, **it is recommended that offices providing audit and oversight committee secretariat functions should be adequately resourced and strengthened to do so.**

**Criterion 11: Audit and oversight committees should establish an annual workplan to ensure that their responsibilities and stated objectives for the period are effectively addressed.**

#### Annual workplans and formal meetings

139. All the audit and oversight committees of the United Nations system organizations reviewed prepare their annual programme of work with the help of the secretariat provided by the respective organization. The programme of work reflects the priorities and issues to be tackled in each executive session, taking into account input from the committee's stakeholders (mainly the heads of the oversight functions and management). The responses to the JIU questionnaire showed that the number and duration of the formal meetings of the committees vary within the United Nations system organizations, regardless of their size, mandate and governance structure (see annex IV). Most meetings are held at headquarters but may be complemented by other informal or extraordinary meetings, through videoconferencing, if deemed necessary. The committees also prepare annual reports of their activities

and results, including recommendations, which are presented to either both the legislative and/or governing bodies and executive heads, or only one of them (see figure II).

### **Some challenges**

140. The interviews and questionnaire responses revealed some issues regarding the collaboration of legislative and/or governing bodies and senior management with their audit and oversight committees: some executive heads never hold meetings with the Chair of the committee, but rather delegate this responsibility to their deputies or less senior officials in their organizations. Some legislative and/or governing bodies do not make use of the annual reports of the audit and oversight committee or interact with its Chair and members to learn about the committee's activities, thereby foregoing the opportunity to deepen their understanding of and benefit from its findings and recommendations.

141. From the interviews with the Chairs of audit and oversight committees, it transpired that some committee secretariats do not always respond in a timely manner to the requests of the committees. In some cases, documents for formal meetings are not sent on time, meaning that the committee members do not have enough time to study them and prepare for the meetings in an effective and efficient manner. In addition, some Chairs indicated that their meetings had proved too short to digest the amount of information, understand the issues and arrive at accurate conclusions and appropriate recommendations.

142. In conclusion, in spite of the above-mentioned challenges, JIU was informed that the contributions of the audit and oversight committees were indeed considered helpful, and often indispensable. Indeed, the presidents of legislative and governing bodies interviewed, as well as executive management and other officials within the organizations, recognized the added value of the work of the committees in assisting them in discharging their responsibilities within their respective mandates in an effective and efficient manner.

## VI. PERFORMANCE EVALUATION OF AUDIT AND OVERSIGHT COMMITTEES

### A. Objective of the assessment

143. Both public- and private-sector audit and oversight committees should undergo periodic self-assessments and reviews of their performance. Self-assessments tend to be undertaken on an annual basis, while internal or external reviews are carried out at longer intervals that can vary from two to five years. The objectives of such assessments are to ensure that the committees operate effectively and as expected; to identify the areas that need attention and improvement; and to plan the actions that need to be taken to strengthen any weaknesses identified.

### B. Applicable international standards and principles

144. Assessments ensure that the audit and oversight committee is meeting the requirements outlined in its terms of reference or charter and that its contribution is consistent with the needs and expectations of the organization and, ultimately, the legislative and/or governing body. The overall performance of such committees and of their individual members should be assessed annually, as recommended by IIA as a good practice.

145. The three-pillar approach to the self-assessment of the performance of audit and oversight committees contained in the IIA guide, is as follows:<sup>37</sup> (a) assessment of compliance with audit and oversight committee obligations stipulated in the terms of reference; (b) participation of audit and oversight committee members in the self-assessment process; and (c) conduct of value-added activities and results achieved is recommended as a good practice.

### C. Current practices in assessing and evaluating audit and oversight committees in United Nations system organizations

**Criterion 12: The performance of audit and oversight committees should be assessed in order to evaluate their effectiveness and efficiency.**

146. The literature foresees three ways to evaluate the performance of audit and oversight committees. The evaluation may be conducted through: (a) informal self-assessment based on questionnaires answered individually by the members of the committees; (b) formal assessment based on the feedback of all stakeholders through a survey; and (c) reviews by external evaluators.

147. Many Chairs of the audit and oversight committees interviewed agreed that performance evaluation of the committees was required. However, during the review it was found that the majority of the United Nations system organizations do not have any formal indicators to assess the effectiveness and efficiency of their audit and oversight committees' work, and that the current practice with respect to methods used and their periodicity varied widely within the United Nations system organizations.

#### Informal self-assessment by committee members

148. A self-assessment is conducted on the basis of an internal questionnaire and could be carried out as an anonymous survey among the committee members. Some audit and oversight committees ask each member to complete the questionnaire individually and then analyse the responses collectively, in order to identify strengths as well as weaknesses, which are then discussed among committee members only. This anonymous self-assessment method is foreseen in the terms of reference of six of the audit and oversight committees reviewed.<sup>38</sup> The audit committee of WFP conducted its first self-assessment, in line with its recently updated terms of reference. This self-assessment method was intended to

<sup>37</sup> Ibid., p. 17.

<sup>38</sup> The committees of UNESCO, UNFPA, UNIDO, UNRWA, WIPO and WMO.

examine whether the performance of the committee would justify the reappointment of three members for a second term.

#### **Formal self-assessment based on the feedback of all stakeholders**

149. Formal self-assessments are carried out by 14 of the 18 audit and oversight committees reviewed; 7 organizations conduct this self-assessment on an annual basis and report their results, in accordance with their reporting line, to either the executive head of the organization (FAO, UNESCO, UNFPA and UNICEF) or the governing body (UNIDO and WMO) or, in one case (UNHCR), to both. The frequency of self-assessment for the remaining seven committees that foresee self-assessments in their terms of reference varies from “from time to time” (UNDP, UNOPS and UN-Women) to at least every two years (WIPO) or, more rarely, on an ad hoc basis (ICAO and ILO). Members of the committee of WHO do not undertake a self-assessment until they have attended at least two meetings.

150. Surveys with stakeholders of the audit and oversight committees are not widespread in the United Nations system organizations. Only the committees of UNDP, UNESCO, UNICEF and UNOPS undertake this practice, in addition to self-assessment. A survey is sent to stakeholders in order to solicit their views on their committee’s performance.

#### **Periodic reviews by external evaluators**

151. The terms of reference or charter of two thirds of the 18 audit and oversight committees reviewed mention the need for a periodic review of the committee’s performance. Despite the absence of a relevant provision in their terms of reference or charter, three further organizations have conducted a review of the performance of their respective audit and oversight committees. In conclusion, most of these committees, except for IAAC, which has no such evaluation mechanism in place, foresee the conduct of and have conducted evaluations of their performance.

152. In ITU, the Plenipotentiary Conference conducts a formal review of the Independent Management Advisory Committee at every quadrennial assembly. The Independent Oversight Advisory Committee of ILO has so far been the subject of an external assessment only once, during the period in which a decision was to be made regarding its permanent establishment.

153. In most of the organizations, the mode of conducting performance assessments is not defined or formalized. The present review found that, despite some cross-fertilization efforts and with the exception of ITU, the JIU participating organizations have not yet developed a standard performance self-assessment questionnaire for evaluating the performance of their audit and oversight committees. **The Inspector recommends that the network of Chairs of audit and oversight committees should develop a standard questionnaire that could be used system-wide for the performance evaluation of the committees, with the aim of ensuring better coherence of methods and standards applied within the United Nations system.**

154. The JIU questionnaire responses and interviews indicated that some legislative and governing bodies were not aware at all or did not systematically receive information about how audit and oversight committee members performed and fulfilled their responsibilities. The terms of reference of fewer than half of the committees reviewed<sup>39</sup> stipulate that the results of the self-assessment be made public. In this regard, the legislative and/or governing body should be informed of the performance evaluation results in order to be aware of the effectiveness of their committee.

---

<sup>39</sup> The committees of FAO, ILO, UNDP, UNFPA, UNIDO, WIPO and WMO.

155. The following recommendation is expected to enhance the effectiveness of audit and oversight committees.

**Recommendation 6**

**The legislative and/or governing bodies of the United Nations system organizations that have not already done so should request their audit and oversight committees to undertake a self-assessment every year and an independent performance evaluation every three years and report to them on the results.**

156. In conclusion, whatever assessment method is used, the objective is to improve the effectiveness and efficiency of the audit and oversight committees through identifying good practices to be replicated and shortcomings to be addressed, as well as ways and measures to overcome emerging challenges that may impact the committees' performance.

## VII. OVERALL CONCLUSIONS AND WAY FORWARD

157. Over the years, audit and oversight committees in the United Nations system, faced with pressures from their organizations' members and donors alike for more transparency and enhanced accountability, have progressively adopted more and more good practices from the rapidly evolving oversight committee trends and work patterns found in the public sector. However, considering the specificities of the United Nations system organizations, there is still a long way to go before their audit and oversight committees have truly up-to-date and fully appropriate mandates, terms of reference or charters and work arrangements.

**Criterion 13: In order to take into account emerging priorities and challenges faced by the organizations, audit and oversight committees' terms of reference or charter should be periodically revised and reviewed by the legislative and/or governing body.**

158. The pace of change in the work environments of the United Nations system organizations has become so fast that even the best terms of reference or charters might be rendered obsolete or lose their effectiveness over time. Therefore, they should be regularly re-examined and updated in the light of the results of the audit and oversight committees' performance assessments, as well as the shifting needs and priorities of the organizations, legislative and governing bodies and other stakeholders.

159. Combined with the rapidly evolving information technology and risk management environments, as well as increased expectations regarding ethics policies and standards and fraud-prevention systems and efforts, there has been a gradual extension of the mandate, from an original strong focus on audit and financial reporting issues to a much broader audit and oversight committee involvement in overseeing nearly all aspects of strategy and executive management, including the technical aspects of an organization's work.

160. This poses multiple challenges to the audit and oversight committees as currently configured, from the need to keep abreast of new developments by continually revising and updating their terms of reference or charter (some committees' terms of reference contain this provision); identifying the right expertise for their members while assuring their neutrality, objectivity and independence from special interests; reconciling the so far largely pro bono nature of audit and oversight committees with the increasing scope and complexity of the work expected and consequent time involvement demanded from their members; and serving the interests of their two main target audiences, the legislative and/or governing bodies and executive management, to the satisfaction of each.

161. To respond to those needs and challenges, a high degree of professionalization of the audit and oversight committee is required. Furthermore, the speedy adoption by all United Nations system organizations of generally accepted good practices related to the mandate and work arrangements of their respective committees is imperative. This would help organizations to handle their emerging priorities in a timely manner and benefit from the advisory role of such committees.

162. The following recommendation is expected to enhance transparency and strengthen accountability.

### **Recommendation 7**

**The legislative and/or governing bodies of the United Nations system organizations that have not already done so should ensure that the terms of reference or charter of their audit and oversight committees are periodically revised and updated with a view to including emerging priorities of, and new challenges to, their respective organizations.**

#### **A. Establishing a professional audit and oversight committee network**

163. In interviews with Chairs and members of audit and oversight committees, establishing a formal audit and oversight committee network was mentioned as desirable and as an important element in further improving the value that these committees could provide. Such a network could be built on the model of existing ones, such as the Representatives of Internal Audit Services of the United Nations Organizations or the United Nations Evaluation Group, and play a useful role in exchanging information and good practices, consulting on relevant issues aiming at enhancing the mode of operation of the committees, and harmonizing and improving policy and practices among the audit and oversight committees of the United Nations system. It could also undertake broader initiatives to professionalize the work of the audit and oversight committees, which individual committees may find difficult to do, for example, by establishing contacts with related professional networks, such as the Conference of International Investigators.

164. The Inspector is of the opinion that the present state of development of audit and oversight committees across the United Nations system organizations would warrant their being supported by a formal network and welcomes existing initiatives such as the meetings of audit and oversight committee chairs organized by IAAC in New York since 2016. This forum could be used as the first building block for creating a formal network. **In this regard, it is recommended that executive heads of the United Nations system organizations should facilitate, encourage and provide the necessary administrative and financial support for the participation of audit and oversight committee members in professional network activities and related periodic meetings.**

#### **B. Addressing emerging risks and challenges across the United Nations system**

165. In the context of this review, most of the officials interviewed expressed concerns about newly emerging risks and challenges, such as cybersecurity, and indicated that their importance was clearly growing rapidly. However, it is obvious that the present state of organizational preparedness and the audit and oversight committees' own capabilities for addressing this issue are insufficient.

166. In the first two meetings of the United Nations system audit and oversight committee representatives, which were hosted by IAAC in November 2016 and December 2017, cybersecurity topped the list of critical issues raised. It has been highlighted by the United Nations System Chief Executives Board for Coordination (CEB) and the audit and oversight committees alike, in particular IAAC, as a critical concern whose potential scale and impact as an emerging risk cannot be underestimated.

167. In her correspondence addressed to the Secretary-General, summing up the conclusions of those first two meetings, the then Chair of IAAC suggested, inter alia, the adoption of a recognized and common system-wide cyber risk management framework which should be fully integrated into overall enterprise risk management and business continuity approaches. She also highlighted the still-insufficient level of cyber risk awareness among management and staff, exacerbated by a fragmented system-wide information and communications technology environment and the shortage of cybersecurity and data analysis expertise within the United Nations system, including in the internal oversight functions. These concerns are shared by most of the Chairs of the audit and oversight committees and the main stakeholders of United Nations system organizations.

**168. In this context, establishing a professional audit and oversight committee network is considered as essential, since it could play a most useful catalyst and facilitator role in addressing newly emerging risks and challenges. In addition, this network could be a good forum for audit and oversight committees to exchange lessons learned and good practices and consult on other relevant issues.**

### C. Concluding remarks

169. In conclusion, this review has attempted to capture the current state of the audit and oversight committees in the United Nations system organizations. The comparative analysis of the terms of reference or charter of 18 audit and oversight committees revealed that considerable progress has been achieved over the last decade. Overall, their scope, content and quality have markedly improved: to take but one example, in 2010, only 25 per cent of all the terms of reference or the charter of the audit and oversight committees contained provisions on membership independence requirements and length of terms, while today, the overwhelming majority of them feature at least some of the good-practice provisions, such as specific cooling-off periods and conflict-of-interest rules.

170. However, this review found a number of differences in the various oversight architectures used by the United Nations system organizations, so the inclusion of all accountability and internal oversight functions under the purview of the audit and oversight committees' advisory mandate has still not been fully achieved. There has, nonetheless, been a gradual extension of the mandate of the committees, from audit and financial reporting to a much broader audit and oversight involvement, also including certain aspects of the organizations' technical work. This extension of the mandate has been accelerated by the rapidly evolving information technology and risk management environments, as well as increased expectations regarding ethics and fraud prevention.

171. While the audit and oversight committees cannot be expected to be a provider of specialized advice in all these areas, they have an important role to play in taking a "bird's eye view" of the various efforts made by the specialists in all those different domains and alerting both executive management and legislative and/or governing bodies to emerging risks and trends, as well as opportunities for improvement. Furthermore, since oversight is a shared responsibility, the audit and oversight committees also need to ensure better coordination and open communication by acting as the interface among the oversight functions, executive management and the legislative and/or governing body.

172. In order to enable the audit and oversight committees to carry out all these functions in a meaningful and professional manner, they require a strong and unassailable mandate guaranteeing their independence and authority; a rigorous and objective selection procedure for their members, who must be free from conflicts of interest; an institutionalized dedicated secretariat with an appropriate budget allocation; regular and rigorous performance assessments; and periodic revisions of their terms of reference or charter, to adapt them to evolving needs.

173. Finally, it is imperative that the advisory role of those audit and oversight committees reporting only to the executive head should not be limited to high-level management. This could be achieved by establishing a dual reporting line to both the executive head and the legislative and/or governing body in order to "close the loop" between their two equally valuable advisory roles to management and the legislative and/or governing body, with the aim of assisting both in discharging their respective responsibilities.



**Annex I: Legislative/governing bodies and audit and oversight committees of the 18 Joint Inspection Unit participating organizations reviewed**

	<b>Organization</b>	<b>Legislative/ governing body</b>	<b>Standing committees</b>	<b>Name of independent audit and oversight committee</b>	<b>Basis for audit and oversight committee mandate</b>
1	United Nations Secretariat <sup>1</sup>	United Nations General Assembly		Independent Audit Advisory Committee (IAAC)	Terms of reference
2	UNDP	Executive Board		Audit and Evaluation Advisory Committee (AEAC)	Terms of reference
3	UNFPA	Executive Board		Oversight Advisory Committee (OAC)	Terms of reference
4	UNHCR	Executive Committee (ExCom)	Standing Committee of the Executive Committee	Independent Audit and Oversight Committee (IAOC)	Terms of reference
5	UNICEF	Executive Board		Audit Advisory Committee (AAC)	Charter
6	UNOPS	Executive Board		Audit Advisory Committee (AAC)	Terms of reference
7	UNRWA	United Nations General Assembly	Advisory Commission	Advisory Committee on Internal Oversight (ACIO)	Terms of reference
8	UN-Women	Executive Board		Advisory Committee on Oversight (ACO)	Terms of reference
9	WFP	WFP Executive Board		Audit Committee (AC)	Terms of reference
10	FAO	FAO Council	Finance Committee of FAO	Audit Committee (AC)	Terms of reference
11	ICAO	ICAO Council		Evaluation and Audit Advisory Committee (EAAC)	Terms of reference
12	ILO	ILO Governing Body		Independent Oversight Advisory Committee (IOAC)	Terms of reference

<sup>1</sup> In addition to the United Nations Secretariat, IAAC covers another five JIU participating organizations (ITC, UNCTAD, UNEP, UN-Habitat and UNODC).

	<b>Organization</b>	<b>Legislative/ governing body</b>	<b>Standing committees</b>	<b>Name of independent audit and oversight committee</b>	<b>Basis for audit and oversight committee mandate</b>
13	ITU	ITU Council		Independent Management Advisory Committee (IMAC)	Terms of reference
14	UNESCO	Executive Board		Oversight Advisory Committee (OAC)	Terms of reference
15	UNIDO	Industrial Development Board		Independent Audit Advisory Committee (IAAC)	Terms of reference
16	WHO	Executive Board	Programme, Budget and Administrative Committee	Independent Expert Oversight Advisory Committee (IEOAC)	Terms of reference
17	WIPO	WIPO General Assembly	Program and Budget Committee	Independent Advisory Oversight Committee (IAOC)	Terms of reference
18	WMO	Executive Council		Audit Committee (AC)	Terms of reference

*Source:* Terms of reference or charter of the audit and oversight committees.

**Annex II: Purpose of the 18 audit and oversight committees reviewed**

	<b>Organization</b>	<b>Name of audit and oversight committee</b>	<b>Purpose (extracts from the terms of reference or charter of the relevant committees)</b>	<b>Year of establishment</b>	<b>Terms of reference updated</b>	<b>Remarks</b>
1	United Nations Secretariat	Independent Audit Advisory Committee (IAAC) <sup>1</sup>	The Independent Audit Advisory Committee, as a subsidiary body of the General Assembly, serves in an expert advisory capacity and assists the Assembly in fulfilling its oversight responsibilities.	2007	Not applicable	Subsidiary body of the United Nations General Assembly  Assist and advise the United Nations General Assembly only
2	UNDP	Audit and Evaluation Advisory Committee (AEAC)	To assist the Administrator in fulfilling his/her responsibilities regarding oversight, financial management and reporting, internal audit and investigation, external audit, risk management, and systems of internal control and accountability. The primary role of the Committee is to advise the Administrator, taking into consideration the Financial and Staff Regulations and Rules as well as policies and procedures applicable to UNDP and its operating environment.	2006	2016	Assist and advise the Administrator

---

<sup>1</sup> In addition to the United Nations Secretariat, IAAC covers another five JIU participating organizations (ITC, UNCTAD, UNEP, UN-Habitat and UNODC).

	<b>Organization</b>	<b>Name of audit and oversight committee</b>	<b>Purpose (extracts from the terms of reference or charter of the relevant committees)</b>	<b>Year of establishment</b>	<b>Terms of reference updated</b>	<b>Remarks</b>
3	UNFPA	Audit Advisory Committee (AAC)	The AAC shall assist the Executive Director of the UNFPA in fulfilling the Executive Director's responsibilities for financial management and reporting, external audit matters, risk management, the systems of internal control and accountability, and the oversight process (hereinafter referred to as internal audit and investigation, and evaluation functions). The primary role of the AAC is to advise the Executive Director, taking into account the organization's process for monitoring compliance with the Rules and Regulations adopted by the UNFPA's governing bodies.	2006	2018	Assist and advise the Executive Director
4	UNHCR	Independent Audit and Oversight Committee (IAOC)	An IAOC is established to serve in an expert advisory capacity to assist the High Commissioner and the Executive Committee in exercising their oversight responsibilities in accordance with relevant best practices, industry standards and the Financial and Staff Regulations and Rules applicable to UNHCR.	1997	2019	Assist and advise the High Commissioner and the Executive Committee

	<b>Organization</b>	<b>Name of audit and oversight committee</b>	<b>Purpose (extracts from the terms of reference or charter of the relevant committees)</b>	<b>Year of establishment</b>	<b>Terms of reference updated</b>	<b>Remarks</b>
5	UNICEF	Audit Advisory Committee (AAC)	The primary role of the AAC is to advise the Executive Director and to inform the Executive Board on the conduct of management responsibilities, taking into consideration UNICEF Financial Regulations and Rules and the United Nations Staff Regulations and Rules as well as directives, policies and procedures applicable to UNICEF. The responsibilities of the Committee cover the independent review of the functioning of the UNICEF oversight system; the review of UNICEF's accounting and reporting practices and systems of control; the review of internal and external audit matters; and the review of financial management and reporting. The UN Board of Auditors performs the external audit of UNICEF operations and the Office of Internal Audit provides internal audit services.	2006	2012	Assist and advise the Executive Director and request to inform the Executive Board
6	UNOPS	Audit Advisory Committee (AAC)	The purpose of the Audit Advisory Committee ("Committee") is to assist the Executive Director in fulfilling his/her responsibilities regarding oversight, financial management and reporting, internal audit and investigation, external audit, risk management, and systems of internal control and accountability. The primary role of the Committee is to advise the Executive Director, taking into consideration the Financial and Staff Regulations and Rules as well as the policies and procedures applicable to UNOPS and its operating environment.	2007	2015	Assist and advise the Executive Director
7	UNRWA	Advisory Committee on	The ACIO serves as an expert advisory panel to assist the Commissioner-General of UNRWA in	2007	2016	Assist and advise the Commissioner-General

	<b>Organization</b>	<b>Name of audit and oversight committee</b>	<b>Purpose (extracts from the terms of reference or charter of the relevant committees)</b>	<b>Year of establishment</b>	<b>Terms of reference updated</b>	<b>Remarks</b>
		Internal Oversight (ACIO)	exercising his/her governance responsibilities in respect of the Agency's financial reporting, risk management processes, internal control arrangement, evaluation system, ethics function, external audit matters and the internal oversight function, including assurance (internal audit and inspection) and advisory services, evaluation and investigation. The ACIO advises on these matters taking into consideration the applicable professional standards and UNRWA regulations, rules and other administrative issuances, policies and procedures.			
8	UN-Women	Advisory Committee on Oversight (ACO)	The ACO shall provide the Executive Director of UN Women with independent, external advice based on good practice regarding the organization's accountability framework and systems, including risk management. The Committee assists the Executive Director in fulfilling her oversight responsibilities in accordance with relevant best practices. The terms of reference, as stated herein, are approved by the Executive Director and may be modified from time to time, as necessary. The Committee has an advisory role and is not a governance body; no language or clauses in the terms of reference are intended to imply otherwise.	2012	2016	Assist and advise the Executive Director

	<b>Organization</b>	<b>Name of audit and oversight committee</b>	<b>Purpose (extracts from the terms of reference or charter of the relevant committees)</b>	<b>Year of establishment</b>	<b>Terms of reference updated</b>	<b>Remarks</b>
9	WFP	Audit Committee (AC)	The AC serves in an expert advisory capacity and provides independent, expert advice to the Executive Board and the Executive Director in fulfilling their governance responsibilities, including ensuring the effectiveness of WFP's internal control systems, risk management, audit and oversight functions and governance processes. The AC aims to add value by strengthening accountability and governance within WFP.	1984	2017	Assist and advise the Executive Board and the Executive Director
10	FAO	Audit Committee (AC)	The AC serves as an expert advisory panel to assist the Director General and the Finance Committee on the internal control arrangements, risk management processes, financial reporting and internal audit, inspection, investigation and ethics functions of the Organization. The AC advises on these matters taking into consideration the Financial Rules and Regulations, as well as policies and procedures applicable to FAO, and its operating environment.	2003	2018	Assist and advise the Director General and the Finance Committee
11	ICAO	Evaluation and Audit Advisory Committee (EAAC)	The ECAAC is an independent expert advisory body set up by the Council of ICAO with the purpose of reviewing the accounting and financial reporting process, the system of internal control, the risk and audit process, the evaluation process, and the process for monitoring compliance with Financial rules and Regulations and the Framework on ethics.	2008	2017	Assist and advise the Council
12	ILO	Independent Oversight Advisory Committee	The IOAC is a subsidiary body of the Governing Body. It serves in an expert advisory capacity and provides independent, external, senior level, expert advice to the Governing Body and to the	2008	2017	Subsidiary body of the Governing Body Assist and advise the

	<b>Organization</b>	<b>Name of audit and oversight committee</b>	<b>Purpose (extracts from the terms of reference or charter of the relevant committees)</b>	<b>Year of establishment</b>	<b>Terms of reference updated</b>	<b>Remarks</b>
		(IOAC)	Director-General in fulfilling their governance responsibilities, including ensuring the effectiveness of the ILO's internal control systems, risk management and governance processes. The IOAC aims to add value by strengthening accountability and governance within the ILO.			Governing Body and the Director-General
13	ITU	Independent Management Advisory Committee (IMAC)	The IMAC, as a subsidiary body of the ITU Council, serves in an expert advisory capacity and assists the Council and the Secretary-General in effectively fulfilling their governance responsibilities, including ensuring the functioning of ITU's internal control systems, risk management and governance processes, including human resources management. IMAC must assist in enhancing transparency, strengthening accountability and the governance functions of the Council and the Secretary-General.	2010	2014	Subsidiary body of the ITU Council  Assist and advise the Council and the Secretary-General
14	UNESCO	Oversight Advisory Committee (OAC)	The OAC shall operate in an advisory capacity to the Director-General of the Organizations to assist him/her in fulfilling his/her oversight responsibilities, including internal audit, evaluation, investigation and with regard to the effectiveness of risk management, ethics, internal control, and other systems, policies and procedures, as well as an internal oversight-related matters with respect to the organization's operations.	2002	2016	Assist and advise the Director-General
15	UNIDO	Independent Audit Advisory Committee	The IAAC is an advisory Committee established pursuant to Rule 63 of the Rules of Procedures of the Industrial Development Board (Board) to	2016	2016	Assist and advise the Industrial Development Board and the Director



	<b>Organization</b>	<b>Name of audit and oversight committee</b>	<b>Purpose (extracts from the terms of reference or charter of the relevant committees)</b>	<b>Year of establishment</b>	<b>Terms of reference updated</b>	<b>Remarks</b>
		(IAAC)	advise the Board and the Director General on issues within the Audit Committee's mandate.			General
16	WHO	Independent Expert Oversight Advisory Committee (IEOAC)	As an independent advisory committee established by the Executive Board of WHO, and reporting to the programme, Budget and Administration Committee, the purpose of the IEOAC is to advise the Programme, Budget and Administration Committee and, through it, the Executive Board, in fulfilling their oversight advisory responsibility and, upon request, to advise the Director-General on issues within its mandate.	2009	2009	Assist and advise the Executive Board, and upon request the Director-General
17	WIPO	Independent Advisory Oversight Committee (IAOC)	The IAOC is a subsidiary body of the WIPO General Assembly and of the Program and Budget Committee (PBC). It serves in an independent expert advisory capacity and assists the WIPO General Assembly and the PBC in fulfilling their oversight responsibilities.	2006	2015	Subsidiary body of the WIPO General Assembly  Assist and advise the WIPO General Assembly and the Program Budget Committee
18	WMO	Audit Committee (AC)	The AC is mandated by the Executive Council to make observations and provide recommendations to the Executive Council to make observations and provide recommendations to the Executive Council and the Secretary-General on all matters relating to the legality, compliance, effectiveness, efficiency and economy of the WMO Secretariat management practices, including accounting, finance, ethics, rules, regulations and procedures, in order to assist the Executive Council in carrying out its oversight activities.	2003	2011	Assist and advise the Executive Council and the Secretary-General

*Source:* Terms of reference or charter of the audit and oversight committees and responses of the JIU participating organizations.

**Annex III: Overview of the membership and appointment process of the 18 audit and oversight committees reviewed**

	<b>Organization</b>	<b>Name of audit and oversight committee</b>	<b>Geographical distribution considered</b>	<b>Gender balance considered</b>	<b>Selection of members</b>	<b>Appointment and approval of members</b>	<b>Term</b>	<b>Formal induction training for new members</b>	<b>Appointment and election of Chair</b>
1	United Nations Secretariat	Independent Audit Advisory Committee (IAAC)	Yes	Yes	United Nations General Assembly	United Nations General Assembly	Two terms of 3 years	Yes <sup>1</sup>	Committee members
2	UNDP	Audit and Evaluation Advisory Committee (AEAC)	Yes	Yes	Administrator	Administrator	Two terms of 3 years	Yes <sup>1</sup>	Administrator
3	UNFPA	Oversight Advisory Committee	Yes	Yes	Executive Director	Executive Director	Two terms of 3 years	Yes <sup>1</sup>	Committee members
4	UNHCR	Independent Audit and Oversight Committee (IAOC)	Yes	Yes	Executive Committee	High Commissioner	Two terms of 3 years	Yes <sup>1</sup>	Committee members
5	UNICEF	Audit Advisory Committee (AAC)	Yes	Yes	Executive Director	Executive Director	Two terms of 2 years	Yes <sup>1</sup>	Executive Director
6	UNOPS	Audit Advisory Committee (AAC)	Yes	Yes	Executive Director	Executive Director	Two terms of 3 years	Yes <sup>1</sup>	Executive Director
7	UNRWA	Advisory Committee on Internal Oversight (ACIO)	No	Yes	ACIO Chairperson and Director of Department of Internal Oversight Services	Commissioner-General	Two terms of 3 years	Yes <sup>1</sup>	Committee members
8	UN-Women	Advisory Committee on Oversight (ACO)	Yes	Yes	Executive Director	Executive Director	Two terms of 3 years	Yes <sup>1</sup>	Committee members, with the approval of the Executive Director
9	WFP	Audit Committee (AC)	Yes	Yes	Board Selection Panel	Executive Board	Two terms of 3 years	Yes	Committee members
10	FAO	Audit Committee (AC)	Yes	Yes	Finance Committee	FAO Council	Two terms of 3 years	Yes <sup>1</sup>	Committee members

<sup>1</sup> Although not specifically mentioned in the terms of reference or charter, briefings are provided for new members in practice.

	Organization	Name of audit and oversight committee	Geographical distribution considered	Gender balance considered	Selection of members	Appointment and approval of members	Term	Formal induction training for new members	Appointment and election of Chair
11	ICAO	Evaluation and Audit Advisory Committee (EAAC)	Yes	Yes	President of ICAO Council	ICAO Council	Two terms of 3 years	Yes <sup>1</sup>	Committee members
12	ILO	Independent Oversight Advisory Committee (IOAC)	Yes	Yes	Selection panel of the Governing Body	ILO Governing Body	Two terms of 3 years	Yes <sup>1</sup>	Committee members
13	ITU	Independent Management Advisory Committee (IMAC)	Yes	Yes	Selection panel composed of ITU Council members	ITU Council	Two terms of 4 years	Yes <sup>1</sup>	Committee members
14	UNESCO	Oversight Advisory Committee (OAC)	Yes	Yes	Internal management panel	Director-General	Two terms of 3 years	No	Committee members
15	UNIDO	Independent Audit Advisory Committee (IAAC)	Yes	Yes	Panel of member States/Industrial Development Board	Industrial Development Board	Two terms of 3 years	No	Committee members
16	WHO	Independent Expert Oversight Advisory Committee (IEOAC)	Yes	Yes	Director-General	Executive Board	4 years non-renewable	Yes <sup>1</sup>	Committee members
17	WIPO	Independent Advisory Oversight Committee (IAOC)	Yes	Yes	Selection panel set up by Program and Budget Committee	Program and Budget Committee <sup>2</sup>	Two terms of 3 years	Yes	Committee members
18	WMO	Audit Committee (AC)	Yes	Yes	Executive Council	Executive Council	Two terms of 3 years	Yes	Committee members

Source: Terms of reference or charter of the audit and oversight committees and responses of the JIU participating organizations.

<sup>2</sup> Letters of appointment are signed by the Director General.

**Annex IV: Overview of the mode of operation and authority of the 18 audit and oversight committees reviewed**

	<b>Organization</b>	<b>Independent audit and oversight Committee</b>	<b>Number of formal sessions per year</b>	<b>Is majority required to make decision?</b>	<b>Authority for hiring external experts</b>
1	United Nations Secretariat	Independent Audit Advisory Committee (IAAC)	4	Yes	Yes
2	UNDP	Audit and Evaluation Advisory Committee	At least 4 (at headquarters)	Yes	Yes
3	UNFPA	Oversight Advisory Committee	At least 3	Yes	Yes
4	UNHCR	Independent Audit and Oversight Committee	2–4	No (consensus-based)	No (not budgeted)
5	UNICEF	Audit Advisory Committee	At least 3	Yes	Yes
6	UNOPS	Audit Advisory Committee	At least 4 (at headquarters)	Yes	No
7	UNRWA	Advisory Committee on Internal Oversight	2	Quorum <sup>1</sup>	No
8	UN-Women	Advisory Committee on Oversight	Not less than 3	Quorum <sup>1</sup>	Yes
9	WFP	Audit Committee	3	Yes	Yes
10	FAO	Audit Committee	3	Yes	Yes
11	ICAO	Evaluation and Audit Advisory Committee	3	No (consensus-based)	No information provided
12	ILO	Independent Oversight Advisory Committee	3	Yes	Yes
13	ITU	Independent Management Advisory Committee	2	No (consensus-based)	Yes
14	UNESCO	Oversight Advisory Committee	3 <sup>2</sup>	Yes	No
15	UNIDO	IAAC	2	Yes	No

	<b>Organization</b>	<b>Independent audit and oversight Committee</b>	<b>Number of formal sessions per year</b>	<b>Is majority required to make decision?</b>	<b>Authority for hiring external experts</b>
16	WHO	Independent Expert Oversight Advisory Committee	At least 2	Yes (from Executive Board rules of procedure)	Yes
17	WIPO	Independent Advisory Oversight Committee	4	No (consensus-based)	Yes
18	WMO	Audit Committee	2	No (consensus-based)	Yes

*Source:* Terms of reference or charter of the audit and oversight committees and responses of the JIU participating organizations.

<sup>1</sup> Three members must be present, in person or virtually, for a quorum.

<sup>2</sup> Two face-to-face meetings and one by videoconference.

**Annex V: Overview of actions to be taken by participating organizations on the recommendations of the Joint Inspection Unit  
JIU/REP/2019/6**

		Intended impact	United Nations, its funds and programmes														Specialized agencies and IAEA													
			CEB	United Nations <sup>1</sup>	UNAIDS	UNCTAD <sup>2</sup>	ITC <sup>2</sup>	UNDP	UNEP <sup>2</sup>	UNFPA	UN-Habitat <sup>2</sup>	UNHCR	UNICEF	UNODC <sup>2</sup>	UNOPS	UNRWA	UN-Women	WFP	FAO	IAEA	ICAO	ILO	IMO	ITU	UNESCO	UNIDO	UNWTO	UPU	WHO	WIPO
Report	For action	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	For information	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Recommendation 1</b>	<b>a</b>						L		L			L		L	L	L								L						
<b>Recommendation 2</b>	<b>d</b>		L				L		L		L	L		L	L	L	L	L				L	L	L				L	L	L
<b>Recommendation 3</b>	<b>f</b>		L				L		L		L	L		L	L	L	L	L				L	L	L				L	L	L
<b>Recommendation 4</b>	<b>a</b>		L				L		L		L	L		L	L	L	L	L				L	L	L				L	L	L
<b>Recommendation 5</b>	<b>f</b>		L				L		L		L	L		L	L	L	L	L				L	L	L				L	L	L
<b>Recommendation 6</b>	<b>f</b>		L				L		L		L	L		L	L	L	L	L				L	L	L				L	L	L
<b>Recommendation 7</b>	<b>a</b>		L				L		L		L	L		L	L	L	L	L				L	L	L				L	L	L

**Legend:** L: Recommendation for decision by legislative organ E: Recommendation for action by executive head

: Recommendation does not require action by this organization

**Intended impact:** a: enhanced transparency and accountability b: dissemination of good/best practices c: enhanced coordination and cooperation d: strengthened coherence and harmonization e: enhanced control and compliance f: enhanced effectiveness g: significant financial savings h: enhanced efficiency i: other

<sup>1</sup> As described in ST/SGB/2015/3.

<sup>2</sup> Covered by the Independent Audit Advisory Committee (IAAC) of the United Nations Secretariat.