



REVIEW OF AUDIT AND OVERSIGHT COMMITTEES IN THE UNITED NATIONS SYSTEM

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Background

Although the Joint Inspection Unit (JIU) has conducted a number of reviews of the various accountability and oversight functions in United Nations system organizations in the past, it is the first time that it exclusively focuses on audit and oversight committees as their role in the United Nations system organizations has developed considerably over the past decade.

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 concept of the audit and oversight committee is a relatively new phenomenon started in the 1990s in the United Nations system, with all but five JIU participating organizations having adopted it.



Objective and Purpose

The purpose of this first review is to have a fresh look and take stock of progress achieved in the establishment, mandates, scope and effective functioning of audit and oversight committees in light of standards and principles of good practices taking into consideration recent trends and developments in public sector audit committees and, more specifically, in the United Nations system. In sum the main objectives are:

- Determining whether existing audit and oversight committees are adequately established and serving their purpose as originally envisaged in their terms of reference or charters;
- Assessing their present degree of deviation from generally accepted standards and principles;
- 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.



What the JIU Found


1. 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.

Notwithstanding this progress, the United Nations system still has some way to go to meet the good practices identified for audit and oversight committees.

2. Audit and oversight committees have varying responsibilities, scope, composition, size, titles, reporting lines, and degrees and levels of independence.

3. Three clusters of reporting arrangements for audit and oversight committees have been identified.

* Reporting directly to the governing body  **5/18 Organizations**

* Reporting to both the governing body and the executive head of the organization  **6/18 Organizations**

* Reporting to the executive head only  **7/18 Organizations**

4. The mandate and responsibilities of the audit and oversight committees have broadened over time.

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.

5. 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.

6. 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.

7. Several challenges to the work of the audit and oversight committees were identified.

- 1 The time limitations of the formal meetings of the committees;
- 2 The growing demands placed on them;
- 3 The increasing complexity of the issues facing the organizations;
- 4 The varied level of skills, i.e. 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.

8. The majority of the audit and oversight committees do not assess their performance.

Most 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.

9. Provisions for the revision and review of the terms of reference or charter of the audit and oversight committees by the legislative and/or governing bodies are rare.

Provisions for mandatory revision and review at clearly specified intervals were found in only two (out of eighteen) terms of reference; while nearly half of them do not specify timelines or provide for a process of regular review and revision.

What the JIU recommends

The legislative and/or governing bodies of the United Nations system organizations that have not already done so should:

- 1 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.
- 2 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.
- 3 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.

4 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.






5 In order to meet the needs of the organizations, 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.

6 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.

7 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.

Methodology and Approach

In accordance with the JIU internal standards, guidelines and working procedures, this system wide review was conducted in a consultative manner. The methodology followed in preparing the report included:

-  A desk review and preparation of terms of reference in consultation with the participating organizations
-  A quantitative and qualitative analysis of data contained in the replies to the questionnaires
-  18 committees reviewed
-  13 criteria for good practices for audit and oversight committees established
-  The information collected through interviews with UN system staff and oversight committee members

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Organizations

1

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

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3

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

4

5

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

6

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.

Audit and oversight committees should review and advise on the ethics function.

7

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.

13 Good Practices for UN system Audit and Oversight Committees

8

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

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

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

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

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

12

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

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.



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