



COUNCIL  
89th session  
Agenda item 22

C 89/22/Add.1  
11 November 2002  
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## PROPOSED AMENDMENTS TO THE FINANCIAL RULES AND REGULATIONS

### Note by the Secretary-General

#### SUMMARY

*Executive summary:* This document provides the proposed terms of reference for the Internal Oversight Section

*Action to be taken:* Paragraph 17

*Related documents:* C 89/19(b)/Add.1 and C 89/22

#### Introduction

1 The Secretary-General, at the Council Intersessional Working Group on Accounts and Audit for the twenty-first financial period, agreed to define the functions and responsibilities of the Internal Oversight Section in the Organization's Financial Regulations and Rules. This document provides the proposed terms of reference.

#### Internal Oversight - Terms of Reference

##### Purpose

2 The Internal Oversight Section (IOS) was established to incorporate the functions of internal audit, evaluation and investigation under a single oversight mechanism. The IOS will assist the Secretary-General in the implementation of Financial Regulation 10.1 and in fulfilling his/her internal oversight responsibilities with independent, objective assurance, review and advice designed to add value and improve the effectiveness of the risk and results based management and control processes, as designed and represented by management to attain the objectives of the Organization.

##### Accountability and Independence

3 The Head of IOS is appointed by the Secretary-General and his or her appointment as Head of IOS can only be terminated by the Secretary-General. The Head of IOS reports to and is accountable directly to the Secretary-General in order to secure the independence of the oversight function. IOS operates independently of other parts of the Organization. In order to preserve independence so that it can carry out its work objectively and render impartial judgements, apart from providing advice, the staff of IOS shall have no managerial authority over, or responsibility for, any of the activities they engage in, and shall not perform any other operational functions.

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IOS staff are excluded from employment in line functions except in very special cases, which require the prior approval of the Secretary-General. The Secretary-General will ensure that IOS is provided with the necessary resources in terms of appropriate staffing, adequate funds and appropriate training to achieve its objectives and maintain its independence.

## **Objectives**

### **Internal Audit**

4 The objectives of internal audit are to ensure that management has established clear policies and procedures and there is an adequate and effective system of internal controls for providing assurance with respect to:

- (a) integrity of financial information; compliance with established regulations, rules, policies and procedures in all operations; and the safeguarding of the assets of the Organization;
- (b) the economic, efficient and effective use of resources in operations and identifying opportunities for improvements; and
- (c) effectiveness of programme management for achieving stated objectives consistent with policies, plans and budgets.

### **Evaluation**

5 The objectives of evaluation are to determine the efficiency, effectiveness, relevance, impact and sustainability of the Organization's programmes, projects and activities as measured against their stated goals and objectives, to provide recommendations for corrective measures for the improvement of programme delivery and effectiveness and to ensure feedback of evaluation findings into programming and operations.

### **Investigation**

6 The objectives of investigation are to inquire into allegations of wrong doing which involve violations of the Organization's rules, regulations, and pertinent administrative issuances, and acts of mismanagement, misconduct, waste and abuse of authority by staff.

### **Authority**

7 In undertaking their activities and responsibilities, staff members of IOS shall have the following authority:

- (a) complete, prompt and unrestricted access to all records, documents, or other materials, assets and premises within the Organization which in the opinion of the Head of IOS are relevant to the subject matter under review.
- (b) the right to communicate directly with all levels of staff and management, pursuant to the discharge of their own responsibilities.
- (c) the right to request any staff member to furnish all information and explanations that the Head of IOS deems necessary to discharge their responsibilities and to receive full co-operation.

8 IOS staff shall be responsible for maintaining the confidentiality of all information obtained in the course of their work.

9 Other than the responsibilities prescribed in these Terms of Reference, IOS has no direct authority over, nor responsibility for, any of the operations or activities of the Organization. IOS work does not in any way substitute, nor relieve staff members of assigned responsibilities.

### **Plan of Work**

10 The Head of IOS shall prepare an annual work plan consistent with generally accepted internal auditing standards and estimated available resources. The annual plan shall be subject to the approval of the Secretary-General.

11 Notwithstanding the annual plan, either on the direction of the Secretary-General or at the discretion of the Head of IOS, any special audit, evaluations or investigations deemed warranted because of a specific management request or other special circumstances may be carried out.

### **Scope and Standards of Work**

12 The scope of work of IOS shall encompass all activities undertaken by the Organization for which the Secretary-General has responsibility.

13 IOS shall carry out its audit functions in accordance with the Standards for Professional Practices of Internal Auditing issued by the Institute of Internal Auditors, and by the Code of Ethics established by The Institute of Internal Auditors and adopted by the 33<sup>rd</sup> Meeting of the Representatives of Internal Audit Services of the United Nations and Multilateral Financial Institutions on 6 June 2002.

### **Reporting and Follow-up**

14 The Head of IOS shall submit a report containing all significant findings resulting from an audit or review in such form as deemed appropriate in the circumstances to the Secretary-General. Before submitting any such report to the Secretary-General, IOS shall present the draft report together with any audit recommendations to the Division Director concerned for his or her comments. It is incumbent upon the Division Director to provide the necessary clarifications and comments on the draft report, the audit recommendations and the action he or she intends to take on the recommendations within reasonable time but not later than one month of the issuance of the draft report.

15 IOS shall undertake periodic follow-up reviews to determine whether audit findings and recommendations have been acted upon and, where necessary, report the findings of the follow-up review to the Secretary-General.

### **External Auditor**

16 IOS and the External Auditor shall, to the extent feasible and practicable, liaise with each other to foster a co-operative and professional working relationship, to co-ordinate their plans and activities to ensure effective audit coverage and to minimize duplication of efforts, to share information such as strategies, work plans and all reports produced, with due regard to each party's responsibilities.

**Action requested of the Council**

17 The Council is invited to take note of the information contained in this document and to comment, as it may deem appropriate. This text, subject to Council's consideration of the matter, will be incorporated in the Organization's Financial Regulations and Rules.

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