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REPORT OF THE SECRETARY-GENERAL ON THE ACTIVITIES
OF THE OFFICE OF INTERNAL OVERSIGHT SERVICES

Note by the Secretary-General

In accordance with paragraph 5 (e) (iii) of General Assembly resolution 48/218 B of 29 July 1994, the Secretary-General has the honour to transmit to the members of the General Assembly the comments of the Joint Inspection Unit on final reports produced by the Office of Internal Oversight Services.

ANNEX

Comments of the Joint Inspection Unit on final reports produced
by the Office of Internal Oversight Services (OIOS)

REPORTS OF THE OFFICE OF INTERNAL OVERSIGHT SERVICES
BEFORE THE FIFTY-FIRST SESSION OF THE GENERAL ASSEMBLY

1. Pursuant to paragraph 5 (e) (iii) of General Assembly resolution 48/218 B of 29 July 1994, the Joint Inspection Unit (JIU) presents its comments on the following final reports produced by the Office of Internal Oversight Services which have been prepared for the consideration of the General Assembly at its fifty-first session.

2. As stipulated in resolution 48/218 B, the reports of the Office of Internal Oversight Services were conveyed to the General Assembly by the Secretary-General. JIU assumes that the Secretary-General is in agreement with those reports on which he conveyed no comments.

3. There are five additional reports of the Office due to be presented to the General Assembly at its fifty-first session as follows:

Review of the programme and administrative practices in the United Nations Centre for Human Settlements (Habitat)

Review of the programme and administrative practices in the United Nations Environment Programme (UNEP)

Audit of catering services

Audit of outsourcing practices

Audit of the transition and preliquidation phase of the United Nations Peace Forces

4. Since those reports were not available by the time the present comments were prepared, the Unit was unable to comment on them.

5. In this regard, the Unit would again like to draw the attention of the General Assembly to paragraph 5 (e) (iii) of its resolution 48/218 B. In this regard the General Assembly may wish to decide on whether to consider reports of the Office prior to the comments of the Board of Auditors and JIU or wait until these comments are available, it being understood that the absence of JIU comments would be due to non-receipt of the Office's final reports in time.

A. Report on review of the programme and administrative practices of the secretariat of the United Nations Conference on Trade and Development (A/50/719)

General comments

6. This review covers the full range of the substantive programme of work as well as the administration and management of the UNCTAD secretariat. Conclusions and recommendations are grouped under two subheadings: issues of substance, and issues relating to administration and organization.

7. The Inspectors concur in general with the objectives and recommendations of the Office aimed at improving efficiency and accountability in the management of the financial and human resources of the UNCTAD secretariat. They also support fully the emphasis placed in the review on the need for a coherent technical cooperation policy and profile as well as for strengthening collaboration with other relevant organizations within the United Nations system, more particularly with the regional economic commissions.

8. It is observed, moreover, that the proposed reorientations are even more forcefully recommended by JIU in its own report entitled "The United Nations Conference on Trade and Development (UNCTAD): review of institutional and programme issues" (JIU/REP/96/1), which was submitted to the Conference at its tenth session held at Midrand, South Africa, in April 1996.

Specific comments

9. Views of the beneficiaries of UNCTAD programmes. The Inspectors note that in reviewing the quality, relevance and impact of UNCTAD regular and technical cooperation programmes, the Office limits its analysis to UNCTAD secretariat headquarters, no doubt because the analysis focuses on administrative and management issues. However, since it recommends important programmatic changes, including in the area of technical cooperation, it would have been useful to indicate, to the extent possible, how the proposed changes correspond to the expressed views and needs of the primary beneficiaries of UNCTAD programmes, particularly in the developing countries and the countries in transition to market economies. Such analysis of supply and demand would have further enhanced the authority and credibility of the Office's review findings and conclusions.

10. Technical cooperation and extrabudgetary resources. The Inspectors concur with the observations in paragraph 22 regarding the need for more coherent and effective central oversight of the use of technical cooperation and extrabudgetary resources, but believe that corrective arrangements should not be left exclusively to a secretariat committee comprising directors of divisions, as proposed by the Office. The policy guidance of the Trade and Development Board would also seem necessary.

11. Ratio of General Service staff. Statements made in paragraphs 27 and 31 regarding the proportion of General Service staff to total staff in the secretariat of UNCTAD should have been substantiated with comparisons with other departments of the United Nations Secretariat. While the optimal cost-effective

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ratio of General Service staff to total staff would be exceedingly difficult to establish for all departments and programmes of the United Nations Secretariat because of differences in the nature and scope of programme mandates, average ratios can be derived easily from annual Consultative Committee on Administrative Questions (CCAQ) personnel statistics.

12. On the basis of 1993 statistics, the proportion of General Service staff to total staff in the United Nations Secretariat as a whole was 66 per cent; in the entire United Nations system it was 65 per cent, while in UNCTAD it was 43 per cent. Some possible conclusions are: (a) the UNCTAD secretariat is probably overstuffed at the Professional level, as stressed by the Office; (b) it is optimally applying innovation technologies to its work, probably better than other parts of the United Nations Secretariat, to the extent that the Professional staff require only limited General Service support, especially in text and data processing functions; or (c) it is perhaps seriously understaffed at the General Service level, where the Office recommends a 15 to 20 per cent reduction in order to achieve "a more appropriate ratio of General Service to Professional posts". This last recommendation appears difficult to support since it would only further aggravate the present imbalance between General Service and Professional staff in UNCTAD.

B. Report of the Office of Internal Oversight Services on the audit of procurement handled by the Contracts and Procurement Service of the Department for Development Support and Management Services (A/50/945)

General comments

13. The Inspectors commend the choice of reviewing the procurement practices of a leading economic department of the Organization, the Department for Development Support and Management Services, and its Contracts and Procurement Service. This is a relevant response by the Office to the interest and growing desire of the Member States of the United Nations to ensure transparency in the procurement process and shed more light on those who have been given the responsibility of providing goods and services and how this is being managed.

14. The report addresses a number of critical areas in procurement and contracting. Its findings make the case convincingly that the Department has a number of weaknesses in the application of procurement and contracting regulations of the United Nations that must be corrected to ensure a system of full and open competition. Identified and illustrated in the report, procurement and contracting irregularities may indicate that the Department's practice does not ensure delivery of services and goods in the most economic and efficient manner.

15. Twenty-six contracts have been selected for review. The Inspectors assume that the findings of the report are representative and material (the report itself contains no indication of this) in the context of the Department's total procurement and contracting activity. If this is the case, the Inspectors strongly support the overall conclusion that strengthening the planning, monitoring and control of the procurement process of the Department is

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justified. In fact, the Inspectors believe a broader review to determine whether additional corrective actions for the system as a whole or for individuals who are abusing the system might be required.

Recommendations

16. The report contains eight recommendations, which the Department's management reported were either already implemented or would be implemented. For those yet to be implemented, establishing some time-frames for implementation would be helpful.

17. One of the findings disclosed that in 46 per cent of the cases reviewed, the technical specifications were either restrictive in nature or sole-source, and precluded full and competitive bidding. The Office recommended that specifications should be more generic and provide equal opportunity to all bidders. As with many of the recommendations, the Department agreed to follow the recommendation "to the maximum extent of staff resources available". In the Inspectors' view, owing to the paramount importance of this recommendation, the Department's response should not be conditional.

18. JIU is of the opinion that full and unconditional implementation of the report's recommendations would contribute to the establishment of a general environment that supports a fully open and transparent competitive contracting and procurement system.

C. Report on the in-depth evaluation of peacekeeping operations: termination phase (E/AC.51/1996/3)

19. The evaluation report discusses broad subjects concerning the termination phase of peacekeeping operations. The Inspectors support the emphasis of the report on learning from experience and translating the lessons thus acquired into practice by formulating or improving policies, standard operating procedures, guidelines, and so on. Although the evaluation report provides a good overview of the termination phase, some of the subjects are not dealt with in sufficient detail. This is understandable in view of the existing page-limitation rule. Member States would, therefore, have a more thorough picture of the termination phase if reports on specific problems or subjects were prepared as a follow-up to the present evaluation report.

20. The Inspectors note that this is the first report on the assessment of the termination phase of peacekeeping operations as a whole and consider it a good introduction to the topic. One of the issues dealt with in the evaluation report is "peace-building during the mission" (section III, A). At the request of the United Nations Educational, Scientific and Cultural Organization (UNESCO), JIU is currently preparing a report on peace-building in which it intends to take into consideration the findings of the evaluation report.

21. The Inspectors believe that peace-building is an important element to achieve lasting peace as conflicts may break out again unless the economic and social needs of people are addressed sufficiently. In their view, if Member States decide that peace-building activities are necessary for a particular

conflict situation, such activities should start during the peacekeeping operation to ensure that the peacekeeping investment is not lost. There should also be more close coordination and consultations between the United Nations and Member States. Successful peace-building also requires effective coordination of activities among the organizations of the United Nations system.

22. The evaluation report briefly discusses peace-building activities carried out by some of the organizations during past peacekeeping missions. However, more detailed examination of how these organizations coordinated such activities and the transition process from peacekeeping to peace-building would have been useful. The importance of cooperation among the United Nations, regional organizations and non-governmental organizations in peace-related activities has been recognized.

23. The knowledge of effective transition process from a peacekeeping operation, for which the United Nations is responsible, to a peace-building mission, in which a regional organization may play a lead role, would be valuable for the planning and implementation of peacekeeping operations. Therefore, the inclusion of an assessment of the relationships between the United Nations and these organizations at the termination phase would have increased the usefulness of the evaluation report.

24. The evaluation report states, in paragraph 2, that it is based on published United Nations documentation, relevant internal documents, external studies and interviews with United Nations staff members involved with peacekeeping operations. It synthesizes the findings of previous reports and studies, which is useful. On the other hand, in their comments on the final in-depth evaluation report on the start-up phase (E/AC.51/1995/2), the Inspectors stated that since peacekeeping was the area in which many Member States participate actively, consultations with their representatives would have been useful to identify relevant issues. The in-depth evaluation report, which is at present under review, does not include interviews with them. Such interviews, particularly with the representatives of troop-contributing countries, would have generated new ideas and information, and consequently made this well-written evaluation report even more interesting to read.

D. In-depth evaluation of the Department of Public Information (E/AC.51/1996/2)

25. The Inspectors regard this report as timely, especially because the effective dissemination of information about the United Nations activities (including its reform efforts) is now crucial to improve the public image of the United Nations, which is under acute financial constraints.

26. It is recalled, in this connection, that JIU has also produced a number of relevant reports, including: "Coordination in the field of public information activities among the members of the United Nations system" (JIU/REP/81/2); "Review of the United Nations public information networks: reorganization of the Department of Public Information" (JIU/REP/89/5) and "Review of United Nations public information networks: United Nations information centres" (JIU/REP/89/6).

27. In the meantime, the Inspectors note that the Committee for Programme and Coordination (CPC), at its thirty-sixth session in June 1996, reviewed the Office report in question and decided to transmit its conclusions and recommendations on the report to the Committee on Information at its nineteenth session for consideration and appropriate action. The Inspectors agree with the conclusions and recommendations of CPC. Having stated this, the Inspectors wish to offer the following additional comments on the report.

28. The Inspectors welcome the issues this report brought up and the recommendations associated with them, such as the need for improvement in the quality of United Nations publications. The Inspectors believe that it is of critical importance that benchmarks and procedures be established to ensure that United Nations publications are of the desired quality. They agree with the concerns stressed in the report which point out that the readers' needs ought to be taken into account and their feedback should result in actions within the Department of Public Information that meet readers' demands.

29. The Inspectors note with concern several aspects of the report. In particular, they believe, as mentioned earlier, that in view of the current financial constraints of the United Nations and the reform efforts, it is essential that the public understands the activities of the United Nations, and its changing role, as well as its reform efforts. More than ever before, there is need for support from the public to the United Nations activities that can only be achieved with an adequate information base and dissemination.

30. Another area in which the Inspectors note some ambiguity is the functions of the Department of Public Information, as stated in the report. The report states, as a given, what is expected of the Department and recommends that the News Coverage Service issue regularly and post electronically "information on newsworthy developments". Information on what the Department, on behalf of the United Nations, should pursue ought to be carefully re-examined in the light of the complexity of worldwide events and because it is not certain that the United Nations is in a position to address these issues in the proposed way. In the Inspectors' view, the report does not take these issues into account in an appropriate manner and it could have provided a more thorough analysis of this question.

31. The Inspectors note the following statement in the report: "DPI materials ... cannot compete with the capacity of news agencies to cover breaking news". In their opinion, this comparison is unclear. If what was being compared was news agencies to the Department of Public Information, the Inspectors believe that it is not intended that the Department compete with these agencies.

32. The Inspectors are encouraged by the coverage of the thematically integrated priority areas being pursued following resolution 48/44 B of 10 December 1993 and the 1994 report of the Secretary-General (A/49/385, paras. 6 and 7). However they note that further development of this matter has not been pursued sufficiently. It is the overall view of the Inspectors that the report focuses much on the processes and not on the substance of the activities of the Department of Public Information.

33. The Inspectors are of the view that the report does not dwell on some vital issues. For instance, the need to improve the technical skills of the staff by training and the need for adequate services such as suitable substantive databases could have been considered.

34. The Inspectors note that in many instances the report deals with the lack of resources available in the Department of Public Information. However, in the Inspectors' view, the report contains an inappropriate underlying assumption in recommendation 13, where the aforementioned shortage of resources appears to have been ignored. In this regard, the report advocates in paragraph 47, in the same section in which recommendation 13 was included, that the Department of Public Information should pool resources with other agencies for a "daily 10-minute news feed through partners who already operate transponders on the Intelsat network". In the Inspectors' opinion, a more in-depth cost analysis for the advocated daily 10-minute news feed should be pursued which would lead to conclusions and recommendations that are realistic in the light of the resources available.

E. Report on strengthening the role of evaluation findings in programme design, delivery and policy directives (A/51/88)

35. The above report is of particular interest to JIU because of its deep involvement in evaluation activities for almost 20 years. 1/ It gives a fairly good picture of the status of evaluation in the United Nations. The Inspectors are generally encouraged by further development of the evaluation function within departments and offices of the United Nations. They, however, observe with concern the low percentage reported by the Office of actual self-evaluations of substantive activities compared with evaluation commitments made and stress the importance of encouraging and assisting the various departments and offices to carry out self-evaluation exercises as stipulated in the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation (ST/SGB/PPBME/Rules/1 (1987)).

36. The Inspectors believe that full and unconditional compliance with these Regulations and Rules will ensure meaningful linkages between evaluation on the one hand and the programme planning and budgeting on the other. Regulation 6.2 of the Regulations and Rules, in particular, stipulates that all programmed activities in the medium-term plan should be evaluated at least once during the plan period.

37. The Inspectors note with interest the Office's findings on the implementation of oversight function in selected departments and offices. In their view, a comprehensive analysis showing, preferably in a tabular form, oversight activities in every department and office would be very useful. Finally, the Inspectors consider it encouraging that the Office intends to issue guidelines on departmental oversight and to assist departments and offices in implementing this function.

F. Triennial review of the implementation of the recommendations made by the Committee for Programme and Coordination at its thirty-second session on the evaluation of the Office of the United Nations High Commissioner for Refugees (E/AC.51/1996/4)

General comments

38. The triennial review conducted to determine the extent to which CPC recommendations had been implemented is an objective summary of follow-up measures taken by UNHCR. The review compares recommendations relating to international protection and programmatic, administrative and financial matters with some good examples of implementation. It lacks, however, concluding remarks on whether the implementation measures are satisfactory, largely as planned, less than planned or better than planned.

39. In the summary, it is stated that progress has been mixed and at times a different approach had been taken by UNHCR from what had been recommended by CPC. The Inspectors consider that this could be further qualified by how much progress, in what areas and during what time span. The different approach taken by UNHCR also needs to be explained. Any serious deviations that are likely to have consequences for the achievement of the objectives should be singled out. Similarly, the reasons for the deviations and the consequent options available to UNHCR should be identified. In other words, a global assessment of the implementation measures should be more clearly stated.

Methods of data collection

40. The review states in paragraph 3: "As was the case with past triennial reviews, the present report is based on a review of the relevant documentation, information submitted by the units concerned and interviews for clarification and verification purposes." It is not clear what "past triennial" reviews and by what bodies. In the Inspectors' opinion, for a better understanding of the continuity of the review, an explanation of the relevant past reviews of UNHCR would be helpful.

Presentation of the report and recommendations

41. The presentation of the review appropriately follows the breakdown used by the UNHCR Subcommittees on International Protection and on Administrative and Financial Matters (para. 2). The Inspectors believe that the report could, however, make better use of its parallelism by consistently listing the CPC recommendation - without grouping - followed directly by the implementation measures. This would facilitate understanding as to whether the implementation examples have directly achieved their objectives. The section on training, for example (sect. III, F), lists three recommendations before their respective implementation (paras. 35 and 36). These, however, are mixed and do not provide chronological reference to the recommendations. Similarly, paragraphs 37 and 38 provide examples, in mixed order, for recommendations 12 and 14, with implicit, if any, substantive reference to recommendation 13.

42. Furthermore, the Inspectors point out that some of the issues addressed in the recommendations by CPC have also been the object of specific consideration

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by JIU. "The review of financial resources allocated by the United Nations system to activities by non-governmental organizations" (JIU/REP/96/4), for example, points out similar recommendations with recommendations 6, 9 and 18. The assessment of the Office thereon may be usefully complemented by JIU recommendations.

G. Programme performance of the United Nations for the biennium 1994-1995 (A/51/128 and Add.1)

43. This report was prepared by the Office pursuant to General Assembly resolution 48/218 B of 29 July 1994 and in accordance with the provisions of article V of the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation.

44. The Inspectors note that some programme elements and outputs included in the various programmes of work of the departments and offices do not always derive from the medium-term plan and other legislative mandates but from decisions taken by the programme managers. This fact makes it difficult to track the legislative basis of some of the programme elements and outputs and whether all the legislative mandates have been included in the pertinent programmes of work. The matching up of the programme activities and outputs with the legislative basis is crucial not only for preparing the programmes of work but also for assessing their impact.

45. The Inspectors note that the programme performance report remains basically descriptive. The Inspectors hope that, in the future, the programme performance reports will be more analytical.

46. The programme budget for the biennium 1994-1995 comprised 6,497 final outputs specifically identified. Of these outputs, 4,888, or 75.2 per cent, were actually implemented.

47. The main conclusion of the report is that "the balance sheet of what has been delivered, despite the various constraints, appears largely positive in terms of quality of outputs and services produced" (para. 31). However, this conclusion appears to contradict the statement contained in paragraph 2, which states: "It does not attempt to assess the quality of the outputs and services produced".

48. As to the other findings and conclusions, JIU wishes to make the following comments.

49. As stated in paragraph 31 of the report, the reporting on programme performance has to be seen in the context, among other things, of "the need to respond to the multitude of new demands and the challenging requirements of delivering while simultaneously reforming the structure and methods of work through an ongoing process of streamlining and reorganization". This question has been a major preoccupation of Member States since the last reform process, launched in 1986 through General Assembly resolution 41/213 of 19 December 1986. Although it is recognized that reform is a continuous process, a solid, stable

and competent secretariat is a pre-requisite for the effective and efficient functioning of any organization, the United Nations in this case. A continuous process of reform and streamlining brings uncertainties which can hinder the desired staff performance.

50. One major finding is that legislative bodies have often been seized with a wide range of documentation and reports, the purpose of which is not clear other than their general information nature. This question has certainly been a long-standing preoccupation of Member States. Many reports are mere repetitions of the previous ones. The Inspectors recommend that, except when political reasons warrant, the General Assembly should adopt as a matter of policy that no new reports should be requested without an assessment of the previous ones on the same subject.

51. Another major finding indicates that there are instances in which a large number of programme elements and outputs are reported postponed or terminated without adequate reasons. The Inspectors note that a number of programme elements and outputs are terminated or postponed upon decisions of the pertinent governing bodies but that this fact is not always reflected in the performance report. Furthermore, the Inspectors note that in such cases there is no indication as to whether programme elements and outputs have been included in the following programme budget.

52. Although Rule 105.2 of the Regulations and Rules empowers the heads of departments and offices to modify the approved programme budget by reformulating, postponing and/or terminating programme elements or outputs within any subprogramme, the lack of a clear justification as to what extent those changes are in pursuance of the objectives and strategy of the subprogramme as set out in the medium-term plan constitutes a contravention of the above Rule. The Secretary-General should take decisive action to remedy this deficiency.

53. The Inspectors commend the declared goal of the Office to continue emphasizing the need for adequate mechanisms and systems of programme oversight and control at departmental level through its audits, inspections and evaluations, but they wonder how the Office "will ensure that such mechanisms are established in various organizational units and used as a management tool" (para. 46).

54. Although not a conclusion, the report shows how budgetary constraints have had a negative impact on the implementation of mandated activities. This fact contravenes the various General Assembly resolutions instructing the Secretary-General to realize savings without affecting programme delivery negatively.

55. The report also brings out that the vacancy rate and the postponements of activities and outputs have been used as a budgetary tool for achieving savings at the expense of full implementation of mandated programmes and activities. The Inspectors caution against this trend.

56. The Inspectors note the achievements in terms of technological innovations throughout the Secretariat, although the productivity gained through automation alone is still far from compensating staff cuts.

H. Management audit of electronic mail in the
United Nations Secretariat (A/50/1005)

General comments

57. JIU believes that this report of the Office is a very useful management audit of an activity that has become essential for the effectiveness of Secretariat performance. The report observes that electronic mail (e-mail) has served to improve horizontal and vertical communications throughout the Organization, both at Headquarters and in the field. The report also notes in paragraph 1, that, using the Internet, United Nations e-mail reaches "beyond the United Nations family to government missions, outside agencies and the millions of companies and individual subscribers throughout the world". As the report indicates, the heavy reliance placed on e-mail services now makes the system's availability, reliability and timeliness critical.

58. The Office suggests a number of specific measures for improving the management of e-mail in the United Nations Secretariat, which JIU supports. More importantly, the report indicates that the Office sees e-mail "as a possible platform for exercising the skills and techniques of the new United Nations management culture" (para. 2). However, it notes that the objectives informally established for e-mail are only technical in nature and do not "begin to harness the power of e-mail to change the culture and environment of the Organization" (para. 10). JIU strongly agrees, but believes it would be more useful to emphasize the use of information services and information technology overall, and not just e-mail, as an important means to help achieve the management reforms now being sought in the Secretariat.

59. The Office suggests including "Secretariat-wide access" as one of the objectives in a mission statement that it recommends be formulated for e-mail services. JIU certainly believes that this should be an objective and would like to have seen even more emphasis given to the importance of assuring access to e-mail for all members of the Secretariat who have need for it. Until all members of the Secretariat who could use e-mail, both at Headquarters and in the field, have full access, the full potential of this important management tool cannot be achieved, and the full conversion to electronic communications within the Secretariat will not be possible.

Recommendations

60. The report contains six recommendations, which JIU supports, and it indicates that most were accepted with implementation promptly initiated. JIU would suggest that specific time-frames should be established for those recommendations still to be implemented. It believes it would also be helpful to have those recommendations that were not accepted clarified, as well as what further steps will be taken regarding them.

61. Among the recommendations, the report urges giving more attention to the need for security since e-mail "is a communications system utilized by management to discuss sensitive topics" (para. 19). JIU very much shares this concern, and also urges the enhancement of security arrangements in order to

help avoid breakdowns of the system resulting from misuse by unauthorized persons.

62. In discussing its recommendation for mission management of objectives, the report notes that "appropriate responsibility must be given to one person who would be responsible for managing the mission objective(s)" (para. 21). Since the Electronic Services Division is responsible for managing e-mail services and the report's suggested mission objectives, including, *inter alia*, increased productivity and utilization of the system, are beyond the mandate of the Division, the Office is concerned that "objectives may not be achieved because responsibility would be decentralized and disjointed among multiple functional areas" (para. 25). For this reason, the report indicates that "the Office will continue to pursue at higher levels within the Organization the establishment of overall responsibility for e-mail and the management of objectives" (para. 26). In supporting this position, JIU would add that responsibility for the management of e-mail services should be part of the responsibility for information services and information technology overall, and that the official with this responsibility be at a level high enough to be effective.

I. Report of the investigation of the allegation of misappropriation of United Nations assets at the United Nations Gift Centre (A/50/1004)

63. JIU finds the report a valuable contribution to the proper assessment of the broader issue of outsourcing of functions or activities in the United Nations. This particular report is a result of an investigation of allegations of misconduct reported by a source inside the Organization. The report analyses carefully the profit decrease observed in the operations of the United Nations Gift Centre. This decrease has appropriately been identified as a result of incorrect management practices and misconduct of personnel provided by the subcontractor to which the operation of the Gift Centre had been outsourced. The report focuses on internal control lapses, and highlights breaches of fundamental financial management practices.

64. In particular, the report highlights the risks involved in the outsourcing of an activity without sufficient control and supervision by the Organization. The damage to the United Nations, besides financial losses, would have been less if certain measures of caution had been taken, such as the following:

(a) A proper negotiation of the initial contract in order sufficiently to protect the interests of the United Nations (Why was the United Nations not assured the right to request and enforce removal of the General Manager of the subcontractor in such cases as those revealed in the report?);

(b) A sufficient degree of supervision and professional monitoring by the United Nations of the services provided by the subcontractor.

65. The Inspectors might offer further comments on the particular issues dealt with in the Office's investigation, in the report of JIU on outsourcing in the United Nations system, which is currently under preparation.

J. The management audit of global cargo and motor
vehicle insurance programmes (A/51/302)

66. This report deals with an important aspect of United Nations expenditures namely, the global cargo insurance policy and the global third party liability insurance policy, with emphasis on peacekeeping operations, the management of which has been somewhat neglected.

67. The Inspectors would like to commend the quality of this report, in particular the methodology used and its concreteness and reader-friendly format.

68. The Inspectors support entirely all recommendations contained in the report and advise the General Assembly to approve them. Nevertheless, the Inspectors would like to add some comments and further recommendations.

69. The Inspectors note that this management audit is confined to two major objects of insurance in the United Nations. Taking into account the level of resources involved in insurance policies throughout the United Nations, the Inspectors recommend that a broader, similar management audit be conducted by the Office to cover all United Nations insured assets.

70. The Inspectors also recommend that the issue of insurance policies be taken within the Administrative Committee on Coordination (ACC) with a view to exploring the possibilities of having common system-wide practices and procedures, including common insurance programmes.

71. The Inspectors note that the audit detected several flows in the insurance programmes of the peacekeeping forces, but did not elaborate on the causes of such flows. In particular, the report does not provide information regarding the extent to which the Department of Administration and Management and the Department of Peacekeeping Operations possess the necessary level of resources and expertise to properly negotiate, control and oversee the insurance programmes. The Inspectors recommend that this information be provided to the General Assembly before it takes a decision on this report.

72. The audit does not report whether the contracts signed with the concerned insurance companies were a result of international bidding. The Inspectors recommend that this information also be provided to the General Assembly, and in any case this aspect be considered if the recommended broader audit is undertaken.

73. The question of duplicate insurance coverage on the United Nations Angola Verification Mission (UNAVEM III) vehicles was of particular concern to the Inspectors. According to paragraph 34 of the report, the Office "recommended that the Field Administration and Logistics Division immediately advise UNAVEM III to end the duplicate insurance coverage on UNAVEM vehicles" by terminating its local insurance coverage. It is unclear whether UNAVEM III was able to do so and, if not, why not. The Inspectors are of the opinion that the decision to purchase or not local insurance coverage instead of increasing global insurance to first dollar coverage should be solely guided by cost-effectiveness and be in conformity with local regulations, which, in some

instances, make it mandatory to have local insurance coverage for all vehicles. This issue, therefore, needs to be clarified accordingly.

K. Review of the management structure in the civilian staff component of the United Nations Peace Forces (A/51/305)

74. This report was requested in General Assembly resolution 49/228 of 23 December 1994. Nevertheless, given that the United Nations Peace Forces (UNPF) is in the process of liquidation following the transfer of authority to the North Atlantic Treaty Organization (NATO) Implementation Force (IFOR) as a result of the signature of the General Framework Agreement for Peace in Bosnia and Herzegovina (Dayton Accord), the recommendations address future peacekeeping missions as lessons learned.

75. The Inspectors note that the questions raised and recommendations made in the report are similar in nature to those contained in the JIU report entitled "Staffing of the United Nations peace-keeping and related missions (civilian component)" (JIU/REP/93/6, annex) which, although not referenced in the report, was welcomed by the Secretary-General as a valuable and timely contribution to both the planning and management aspects of field operations and approved by the General Assembly.

76. Therefore, the Inspectors support all the recommendations contained in the report while commending its quality, concreteness and reader-friendly presentation. Nevertheless, the Inspectors would like to add a few comments.

77. The Inspectors consider that the question of the handling of contracts by the peacekeeping operations managers should be further reviewed, especially whether all contracts and procurements are subjected duly to national and international biddings. The example provided in paragraph 49 of the report calls for the need to take immediate remedial action in this regard.

78. Another important aspect, mentioned in the report but not elaborated enough, that deserves further review is the contracting and management of international contractual personnel. In its comments on the Office's 1995 report on the Field Administration and Logistics Division, the Inspectors questioned the use of contractual staff in supervisory functions and recommended that action be taken by the United Nations Secretariat to prevent such a practice, which was followed by the former United Nations Protection Force (UNPROFOR).

Notes

1/ The JIU objectives in this area were to help: (a) build support for and use of evaluation by intergovernmental bodies and secretariats; (b) introduce or strengthen internal evaluation systems in the JIU participating organizations, appropriate to their needs but following agreed guidelines and standards; and (c) ensure that evaluation results and successful approaches were shared among the organizations. The JIU annual report submitted to the General Assembly at its forty-sixth session (A/46/34, part two, para. 2) noted a

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significant expansion of internal evaluation systems and evaluation use in the United Nations system, in which JIU evaluation reports played a meaningful role. By the mid-1980s, the design and installation of internal evaluation systems in almost all organizations had been largely completed.
