



Security Council

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Note by the Secretary-General

The Secretary-General has the honour to transmit herewith to the Security Council the report of the Board of Auditors on the implementation of its recommendations relating to the United Nations Compensation Commission for the biennium 2002-2003.

Report of the Board of Auditors on the implementation of its recommendations relating to the United Nations Compensation Commission for the biennium 2002-2003

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I. Introduction

1. The present report, updated as at 31 July 2005 summarizes the implementation of the recommendations made by the Board of Auditors in its report on the financial statements for the biennium 2002-2003 of the United Nations Compensation Commission.¹

2. Prior to the biennium 2002-2003, the financial statements of the United Nations Compensation Commission (UNCC) were included in the financial statements of the United Nations. Their audit and its follow-up had been included in the corresponding reports of the Board² and of the Administration.³ Since the biennium 2002-2003, the financial statements of UNCC have been separate, and in July 2004 the Board provided such a report to the Security Council for the first time.

3. Consequently, the Board of Auditors is issuing the present report on the implementation of its recommendations relating to UNCC for the biennium 2002-2003 in parallel with its report to the General Assembly on the financial statements of the United Nations and its funds and programmes (see A/60/113).

4. In its resolution 52/212 B of 31 March 1998, the General Assembly emphasized that primary managerial responsibility and accountability for the implementation of the recommendations of the Board of Auditors should remain with department heads and programme managers. In the same resolution, the Assembly accepted the recommendations of the Board of Auditors for improving implementation of the recommendations approved by the Assembly, subject to the provisions contained in the resolution, namely:

(a) The need for specification of timetables for implementation of recommendations;

(b) The disclosure of office holders to be held accountable;

(c) The establishment of an effective mechanism to strengthen oversight in regard to the implementation of audit recommendations. Such a mechanism could be in the form of either a special committee comprising senior officials or a focal point for audit and oversight matters.

5. The present summary report addresses recommendations under implementation or not implemented. Accordingly, recommendations that have been confirmed by the Board to have been implemented are not mentioned except in paragraph 8 below.

II. Comments by the Board of Auditors

6. On 9 July 2004 the Board of Auditors transmitted its report¹ to the Administration for the Security Council. The Governing Council of UNCC put the consideration of the report on its agenda in December 2004, but did not discuss its content until its session held from 28 to 30 June 2005. UNCC explained that this delay was due to the request made by some delegations at the December 2004 meeting, and by the Board of Auditors, to have the report translated into the official languages of the United Nations. Since the Governing Council's decision may have an impact on the UNCC secretariat's actions, this delay may not have been conducive to proper governance and accountability, nor to an effective implementation of its recommendations.

7. This concern is illustrated by the fact that UNCC has not always specified timetables for the implementation of recommendations, and began only in March 2005 to convene a meeting that could provide an oversight mechanism in line with General Assembly resolution 52/212 B relating to elements (a) and (c) listed in paragraph 4 above. UNCC considered that those recommendations that it had accepted had been implemented in a timely fashion and that, contrary to the Board's assertion, UNCC had always had an oversight mechanism in place with respect to the implementation of audit recommendations, namely the Governing Council. UNCC also indicated that the Governing Council, having considered and noted the Board's recommendation to consider the appropriateness of establishing an audit committee, had not been inclined to create a formal audit committee, although it had established an informal committee to oversee the examination of potential duplicate awards in categories A and C. **The Board notes that this informal oversight committee has a limited scope, which is different from that of other oversight committees established in the United Nations system, and will revert to the matter at its next audit.**

8. The Board's findings are as follows:

(a) Eight (40 per cent) of its 20 recommendations had been implemented by June 2005; however, for two of them considered implemented by UNCC the Board had not yet validated the implementation;

(b) Nine (45 per cent) remained under implementation; for three of them considered under implementation by UNCC the Board had not yet validated the degree of implementation;

(c) Three (15 per cent) had not been implemented.

9. The General Assembly, in paragraph 12 of its resolution A/59/272, reaffirmed "the importance of effective coordination, in the implementation of their respective mandates, between the Joint Inspection Unit, the Board of Auditors and the Office of Internal Oversight Services, in order to maximize the use of resources and share experiences, knowledge, best practices and lessons learned". The Board is glad to report that, in the matter of implementation of recommendations as well as in other areas, synergy has continued to be fully achieved with the Office of Internal Oversight Services.

1. Recommendations considered implemented, but not yet validated by the Board

10. **In paragraph 36 of its report to the Security Council,**¹ the Board had recommended that the UNCC secretariat draw attention to the lack of a decision by the Governing Council on the matter of interest on awards of compensation.

11. **Comment of the Administration.** In response, the UNCC secretariat advised the Board that the Governing Council had taken a decision on interest on awards of compensation at its March 2005 session. In its decision 243, the Governing Council, having regard to the language of its decision 16, determined to take no further action with respect to the issue of awards of interest. The UNCC secretariat noted that neither claimants nor claimant Governments had the power to compel the Governing Council to set the methods of calculation and of payment of interest. While paragraph 1 of decision 16 stated that interest would be awarded "from the date the loss occurred until the date of payment", paragraph 2 provided that the Governing

Council would consider the methods of calculation and of payment of interest “at the appropriate time”.

12. The UNCC secretariat mentioned that in decision 243 the Governing Council had said that there was no appropriate time to consider these matters, and that it would take no further action. The practical result is that interest will not be paid on awards of compensation. Under article 40(4) of the UNCC Provisional Rules for Claims Procedure, the Governing Council’s decision is final and is not subject to appeal or review on procedural, substantive or other grounds.

13. The UNCC secretariat also commented that, moreover, the Office of Legal Affairs had confirmed in a legal opinion dated 14 June 2002 that the obligation to pay awards of compensation (including interest) was an obligation of Iraq and not of UNCC or the United Nations as a whole. That opinion, which was issued prior to decision 243, provided, *inter alia*, that interest that might be awarded by the Governing Council of UNCC did not constitute contingent liabilities or potential interest liabilities for the United Nations. The opinion also contemplated that the Governing Council might experience substantial difficulty in reaching a decision on the methods of calculation and of payment of interest and noted that neither Security Council resolution 687 (1991) nor any subsequent resolution of the Council approved in furtherance of its section E concerning the Compensation Fund, provided any guidance or definitely stated that interest should also be awarded.

14. The UNCC secretariat noted further that, in any event, the privileges and immunities of the United Nations would protect UNCC, the Compensation Fund and the United Nations as a whole against litigation in connection with this matter. With that decision, the secretariat considered this recommendation to be implemented and the matter to be closed.

15. **In paragraph 157**, the Board recommended that UNCC pay special attention to its information security until it closes down.

16. **Comment of the Administration.** The Information Services Section of the UNCC secretariat was mindful of the importance of information security and consistently paid close attention to this matter. In practice, security was implemented at multiple levels (such as network access, database access, application access, security functions within the applications and secure Internet access). Security accesses continued to be monitored, controlled and documented through the help-desk request system. A system update server automatically performed updates of critical system and other patches to all UNCC workstations on a weekly basis, and anti-virus patterns were updated automatically on workstations daily.

17. The UNCC secretariat also stated that it maintains a high level of security and had tightened its security policies to meet ever-increasing security demands. Stringent and professional quality security policies are implemented throughout the UNCC information systems, networks and databases. These policies are currently being updated and more completely documented in the standard operating procedures of the Information Systems Section of the secretariat, reflecting their current physical implementation, including emerging technologies that could improve the efficiency and/or security of the UNCC systems.

2. Recommendations considered under implementation as validated by the Board

18. **In paragraph 196**, the Board recommended that UNCC review, from a long-term perspective, the security and safety of its archives.

19. **Comment of the Administration.** The UNCC secretariat has given due consideration to the safety and security of records, and reports concerning safety and security conditions that have been made by the Security Services at the United Nations Office at Geneva and at Headquarters. On the basis of the findings of those reports, the UNCC secretariat made improvements in safety and security conditions in one building to the extent that it had the means to do so. Smoke detectors (linked with the security company in charge of the building and with the Swiss fire brigade) and fire extinguishers were installed in all locations. The main storage location (600 square metres in basement 4) is equipped with sprinklers and a reinforced entrance door; this location and two others will be used for storage during the biennium 2006-2007. Only Registry staff have access to these storage areas, and a security company provides surveillance outside of office hours. UNCC has requested the replacement or reinforcement of the doors to the claims storage area.

20. UNCC also noted that the basement of Villa La Pelouse is being used for the storage of archived claim files, and special safety and security measures were implemented for that location; an infrared security alarm device was installed, which is operational after office hours. The UNCC secretariat therefore considers that it has done all that it can reasonably do to secure the UNCC archives while it remains the custodian thereof.

21. **The Board has further reviewed the issue, and remains concerned by the physical security of part of the UNCC archives, as there is a lack of reinforced doors at a vulnerable entry point in a public space.**

22. **In paragraph 46**, the Board recommended that the Administration correct accounting errors and reduce the risk of such errors.

23. **Comment of the Administration.** The discrepancies between two information systems, noted in paragraph 45 of S/2004/789, in respect of payments for the Office of the United Nations High Commissioner for Refugees in Bulgaria have been corrected. In July and August 2004, meetings were held between the Claims Payment Section and the Information Systems Section to discuss the ways of reducing the risks involved. Direct integration of the two systems was not considered by the United Nations Office at Geneva to be feasible. The UNCC secretariat carried out a technical analysis in October and November 2004 which was forwarded to the United Nations Office at Geneva on 3 December 2004. It included the UNCC secretariat's observation that a direct interactive connection would be more effective in reducing delays and possible errors that could occur during batch processing. Some informal discussions took place, but a written response from the United Nations Office at Geneva remained pending as of May 2005.

24. **In paragraph 117**, the Board recommended that UNCC take further action to recover undistributed funds, in view of its completion strategy.

25. **Comment of the Administration.** UNCC continued to obtain payment distribution reports and the return of undistributed funds from Governments and

international organizations. In 2004 the Governing Council and the secretariat wrote special notes to Governments whose fulfilment of those obligations had been outstanding for more than a year. Three Governments were also invited to attend meetings of the Working Group in this regard. Two of them sent representatives in January 2005, who promised to follow up with their capitals. This matter remained on the agenda of the Governing Council.

26. **In paragraph 164**, the Board recommended that UNCC continue to maintain its comprehensive inventory of information and communication technology (ICT) assets and related supporting documentation, to ensure that their core systems and data remain accessible and available after completion of its activities

27. **Comment of the Administration.** UNCC continued to maintain, update, and enhance its ICT system and application-related documentation. Concepts were being formalized concerning the permanent archival procedures and policies for ICT-related information to ensure its appropriate availability and accessibility after the completion of UNCC activities.

28. **In paragraph 184**, the Board recommended that the United Nations decide promptly upon the completion strategy for UNCC, phases, deadlines and modalities, including: (a) the procedure for its liquidation, under an appropriate authority; (b) the transfer of remaining activities to an appropriate structure; (c) the termination deadline; (d) the deadlines for rectifications, other queries and repayments concerning awarded claims, with a view to minimizing costs while improving the overall accountability of the financial operations; and (e) the involvement at all stages of the Office of Internal Oversight Services.

29. **Comment of the Administration.** The UNCC secretariat submitted a note to the Governing Council on the phasing out of UNCC dated 11 November 2004, which has remained under consideration by the Governing Council. In addition, the Governing Council took decisions concerning the deadlines for the receipt of requests for correction pursuant to article 41 of the Provisional Rules for Claims Procedure. At its June 2005 session, the Governing Council established a final deadline of 30 September 2006 for submitting Governments with currently unlocated claimants to locate such claimants and to inform the secretariat of any claimant who was located so that the claimant could receive payment of his or her compensation award. The matter remains on the Council's agenda and will be the subject of informal meetings of the Working Group prior to the next session. In the last quarter of 2005 the Office of Internal Oversight Services was to audit the liquidation activities. It expected to cover all residual tasks of UNCC, as well as plans for future activities. The Office of Internal Oversight Services has undertaken to provide the UNCC secretariat with continuing advice on the conduct of this process.

30. **In paragraph 194**, the Board recommended that UNCC take, with the United Nations Secretariat, appropriate steps for the long-term management, guardianship and streamlined retrieval of archives.

31. **Comment of the Administration.** Document S/AC.26/SR.133 of 2 March 2004, pages 7 to 9, proves that long-term management, guardianship and streamlined retrieval have been taken into consideration by the UNCC Governing Council since March 2004. At its June 2005 session, the Governing Council approved funding to retain staff for the purpose of the implementation of the UNCC

archiving policy with respect to the records of those Panels of Commissioners and claims units that had completed their work prior to the Governing Council's approval of the policy. The secretariat has also prepared a draft access policy for presentation to the Governing Council at its next session. UNCC reported that a new software application was being used for the archiving of records, although the Board of Auditors has not yet validated this.

3. Recommendations considered by the United Nations Compensation Commission to be under implementation, but not validated by the Board

32. **In paragraph 113**, the Board recommended that the United Nations Secretariat, with a view to ensuring continuity and improvements in accountability, establish mechanisms to prepare for a full-fledged, appropriate oversight infrastructure of compensation payments after the termination of UNCC in its present structure, including in regard to accountability by recipient countries for payments made to and by them after the termination of UNCC.

33. **Comment of the Administration.** Following the UNCC secretariat's 11 November 2004 information note concerning the phasing out of UNCC, and at the request of the Governing Council, the UNCC secretariat prepared a proposed budget for a small secretariat (30 to 35 persons) for the biennium 2006-2007. The Committee on Administrative Matters considered and approved this proposed budget at its 18th meeting on 28 June 2005. The issue of what arrangements should be made after 2006 remains on the agenda of the Governing Council. The UNCC secretariat therefore considers that the recommendation has been implemented, with ongoing effect. Its secretariat also noted that more revenue has been going into the Compensation Fund than previously anticipated, largely as a result of the price of oil. The secretariat has therefore reworked its projections and estimated that it would be possible to pay all individual claims in full in 2006.

34. Concerning internal audit coverage during the biennium 2006-2007, no arrangements had been made for 2007, while continuing audit coverage, particularly of the claims payment process, may still be required at least until the end of 2007.

35. **In paragraph 146**, the Board recommended that the Governing Council unrestrictedly provide appropriate internal audit resources and consider audit findings, particularly in regard to its processes, in the interest of accountability and transparency.

36. **Comment of the Administration.** The UNCC secretariat advised the Board that the Governing Council had approved a second audit post effective 1 January 2005 and noted that the Office of Internal Oversight Services had filled that post as at 6 June 2005. The secretariat further informed the Board that UNCC intended to continue to abide by the legal opinion dated 27 November 2002 prepared by the Office of Legal Affairs with respect to the proper scope of the Office of Internal Oversight Services audit of UNCC. Also, at its 18th meeting, on 28 June 2005, the Committee on Administrative Matters approved the inclusion of two audit posts at the P-4 level for 2006 in the budget for the 2006-2007 biennium, at a cost of \$382,200, as per UNCC standard staff costs, and encouraged the Executive Secretary to continue his consultations with the Office of Internal Oversight Services, in the expectation that the Executive Secretary and the Office of Internal Oversight Services would arrive at a mutually agreeable workplan for the Office for

2006, pursuant to the 2003 memorandum of understanding or an extension of that memorandum of understanding as necessary.

37. The Office of Internal Oversight Services pointed out that a second post for a UNCC auditor had been approved by the United Nations Controller in July 2000, as disclosed in the Board's 2004 report, but that the UNCC Governing Council did not agree to fill the post until January 2005, about four and a half years after the request. In the meantime, the post approved for the Office of Internal Oversight Services was used for a legal officer's position. The Office had intended to fill the post when it became vacant in January 2005, but the candidate selected withdrew. The Office then temporarily filled the post with a staff member from Headquarters. The post was subsequently filled in July 2005. The Office of Internal Oversight Services expressed its concern that UNCC still maintains the applicability of the Office of Legal Affairs legal opinion, despite the fact that the General Assembly in its resolution 59/271 stated that the Office of Internal Oversight Services should audit all aspects of the claims process.

38. Concerning the observations and recommendations of the Office of Internal Oversight Services in connection with its audit in 2002 of F3 claims, in part two of the third instalment, UNCC indicated that at the Governing Council's June 2005 session, the two computational errors discovered by the Office of Internal Oversight Services and a third computational error discovered by the secretariat in the course of reviewing the preliminary audit reports of the Office were corrected, pursuant to article 41 of the Provisional Rules for Claims Procedure. The Governing Council also took note of the final audit report of the Office of Internal Oversight Services and did not direct the secretariat to take any further action with respect thereto. Accordingly, the UNCC secretariat considers this matter to be closed.

39. Concerning the issue of duplicate claims, the secretariat indicated that it was aware of the risk of duplicate claims from the outset of claims processing and took steps to identify and eliminate such claims during the course of claims processing. The category A Panel of Commissioners addressed the subject of duplicate claims in its first report (S/AC.26/1994/2), dated 15 September 1994. As a result of the computer programme and manual follow-up, 37,850 category A claims were identified as confirmed duplicate claims during the course of claims processing. The category A Panel of Commissioners recognized that there were inherent limitations on the ability of the computer software technology to identify potential duplicate claims, and that submitting Governments also had an important role to play.

40. In response, the UNCC secretariat received a number of requests from submitting Governments to correct claims identified by the latter as duplicates, but which had not been identified by the UNCC computer program, as the basis of which the duplicates were identified fell outside the parameters of the program. By mid-2005, approximately 7,000 additional category A claims had been corrected as a result of requests from Governments. In total, over 45,000 duplicate claims in category A claims had been corrected through the mechanisms designed by the category A Panel.

41. A similar exercise was conducted with respect to category C for the purpose of identifying duplicate claims during claims processing. As a result, approximately 5,000 duplicate claims were identified and eliminated during the course of claims processing.

42. The UNCC secretariat indicated in September 2005 that it was at that time conducting an extensive exercise through electronic means to identify duplicate awards in categories A and C and to identify claims that should have received the lower amount, in category A, under Governing Council decision 21. That exercise was ongoing. The secretariat has also used these electronic searches for duplicate claims in the Palestinian late claims programme, the Bedouin programme and the category A and C late claims programme.

43. The UNCC secretariat also commented that in February 2005 it had requested the Office of Internal Oversight Services to provide in-house forensic accounting expertise in connection with the examination of potential duplicate awards of claims in categories A and C, which had been commenced by the secretariat. In June 2005 the Office informed the secretariat that it did not have such expertise in-house and in lieu thereof proposed engaging external expert consultants. This matter was considered by the Governing Council at its June 2005 session and was referred to the Council's informal oversight committee for further discussion, including the question of whether the Office of Internal Oversight Services should be involved in any such examination in the light of its self-acknowledged lack of the necessary expertise in-house.

44. The Office of Internal Oversight Services noted that it was the role of its Investigations Division to conduct fraud investigations. In this regard, its Internal Audit Division I and the Investigations Division conducted a joint assessment of the category A and C duplicate payment issue. In the view of the Investigations Division, additional work needed to be done to determine if there was fraud. In order to conduct further reviews of the category A and C duplicate claims, the Office of Internal Oversight Services requested that UNCC provide funding for the Office to engage a consultant with information technology and fraud investigation capabilities. The two UNCC auditors did not possess this particular expertise, and the Office of Internal Oversight Services could not provide these resources from its regular budget. The Office noted that it appeared that the Governing Council had decided that UNCC would directly recruit a consultant to perform this work. The UNCC arranged for the engagement of external forensic accounting expertise in September 2005, following a competitive bidding process, to assess the reasonableness and adequacy of the "fuzzy name-matching" conducted by the secretariat to date and to recommend additional measures, if any, that could usefully and reasonably be employed and that would yield a statistically significant percentage increase in the number of potential duplicate awards. The consultant was expected to prepare a report by the end of October 2005. Both the expert report and the UNCC secretariat's analysis would be presented to the Council for its consideration and action.

45. The Board is glad that UNCC was undertaking more comprehensive action in 2005, but notes that the UNCC secretariat had identified the risks of duplicate claims in 1994 and that the Office of Internal Oversight Services had drawn the attention of UNCC to such risks in 1997 and 1999, while in its 1998 report to the General Assembly the Board of Auditors had likewise commented on duplicate claims.

46. **In paragraph 203**, the Board recommended that, in the context of its phasing out, UNCC pay special attention to its fraud prevention strategy.

47. **Comment of the Administration.** The UNCC secretariat reported no cases of internal fraud or presumptive fraud as at 31 December 2004 in a letter to the United Nations Controller dated 15 January 2005. The UNCC secretariat stated that it had taken a number of steps to try to prevent fraud or presumptive fraud. For example, cross-checks and electronic and manual matching have been conducted in order to identify duplicate or overlapping or competing claims as mentioned above. The UNCC secretariat anticipated that the expert report of the forensic accounting consultant and the secretariat's analysis would assist the Governing Council in its consideration of further appropriate action relating to the prevention of fraud.

48. The UNCC secretariat commented that it has also assisted the D2 Panel of Commissioners in its review of the category D Palestinian late claims, a claims population with a significant risk of overstated claims. The extensive measures taken by the secretariat at the direction of the D2 Panel are detailed in the report and recommendations made by the D2 Panel of Commissioners concerning Palestinian individual claims for damages above \$100,000 (category D claims), which was approved by the Governing Council at its June 2005 session. The UNCC secretariat notes that all claims in categories D, E and F were individually reviewed and the supporting evidence examined. Irregularities in the evidence were brought to the attention of the relevant Panel of Commissioners for whatever action it considered appropriate. The claims in categories A, B and C were humanitarian in nature and were not individually reviewed, but rather mass-processed on an expedited basis. However, the amount of compensation for successful claimants in categories A and B was fixed by the Governing Council at a relatively low level, while the electronic compensation formulae developed by the category C Panel of Commissioners took into account the possibility of fraud and resulted in the Panel recommending modest amounts of compensation. The UNCC secretariat therefore considers that it has implemented this recommendation to the fullest extent possible, consistent with the mandate of the UNCC.

49. The Office of Internal Oversight Services underlined that one of its auditors had provided advisory services to UNCC during a field visit to Kuwait to investigate category D claim payments. The Office found that claimants had abused the system by filing false claims with the assistance of accounting companies in Kuwait. The Office of Internal Oversight Services report on the advisory services stated that, as the Office had informed UNCC in the past, there was no procedure within UNCC to take action against claimants filing false claims. The Office of Internal Oversight Services was of the view that UNCC had also not taken action to investigate cases of presumptive fraud in all claim categories and had not established an investigation unit to do this.

50. **The Board notes the ongoing initiatives, but, as mentioned earlier, recalls that UNCC began only in 2005 to consider systematically acting on duplicate payments through electronic means, while such a risk had been underlined by UNCC itself and by internal and external audit findings since 1997.**

4. Recommendations not implemented

51. **In paragraph 72,** the Board recommended that UNCC compile a single document detailing the criteria and methodologies it has applied for archiving purposes.

52. **Comment of the Administration.** The UNCC secretariat noted that preliminary enquiries from administrators of other claims-resolution entities have, in all cases, focused on specific methodologies, rather than a global picture. The secretariat anticipates that the future utility of the methodologies to those seeking guidance would depend on the accessibility of such information, which would be made more difficult if all information were merged into one extremely lengthy document. The UNCC secretariat considered the Board's recommendation as actually counter-productive, and saw no purpose in its implementation. The Board's recommendation was brought to the attention of the Governing Council at its June 2005 session, and the Council concurred with the secretariat's view on the utility of such a document. The secretariat is of the view that all such records would be clearly defined, indexed and labelled, and would be readily retrievable using the computer application developed by UNCC. **The Board plans to review this application in its next audit.**

53. **In paragraph 112,** the Board recommended that UNCC reconsider its decision not to request Member States to include in every audit certificate comprehensive and up-to-date information on their national compensation payment system.

54. **Comment of the Administration.** The UNCC secretariat indicated that the Governing Council had considered the recommendation in June 2005 and declined to act upon it. The UNCC secretariat therefore considered the matter to be closed.

55. UNCC decided to rely on Member States for the payment phase of awards. It is the Board's view that in order to ensure that payments are eventually made to claimants, Member States should include all relevant information related to those payments. Such a practice would be in line with Governing Council's decision 18, stating that "Prior to or immediately following the receipt of the first payment from the Compensation Commission each Government shall provide information in writing through the Executive Secretary to the Governing Council on the arrangements that it has made for the distribution of funds to claimants, and subsequently promptly report any changes to those arrangements." **The Board remains concerned that, unlike other United Nations agencies, UNCC relied on incomplete documentation of the payment procedures of its partners.**

56. **In paragraph 126,** the Board recommended that UNCC and the Office of Internal Oversight Services conduct a joint risk assessment so that a proper audit plan could be developed.

57. **Comment of the Administration.** In response, the secretariat outlined the steps it had taken to attempt to undertake such an assessment and ascribed the lack thereof to the repeated failure of the Office of Internal Oversight Services to make the necessary administrative arrangements. These were described in a document entitled "OIOS risk assessment chronology" which the secretariat provided to the Board. The secretariat also described the more recent steps it had taken to attempt to conduct a joint lessons-learned exercise with the Office of Internal Oversight Services in lieu of a joint risk assessment; given the advanced stage of the winding down of UNCC, the secretariat is of the view that this would be a more useful exercise than a joint risk assessment. In the fall of 2004, the secretariat proposed such a joint review to the Office of Internal Oversight Services. The proposal was accepted, in principle, by the Office, which submitted proposed terms of reference to the secretariat for comments in November 2004. In a memorandum to the Office

of Internal Oversight Services dated 19 November 2004, the secretariat transmitted its comments on the terms of reference, while confirming its readiness to proceed.

58. UNCC stated that although the proposed review was again discussed with the Office of Internal Oversight Services at a meeting in Geneva on 22 December 2004, nothing further had been proposed by the Office since that time, apart from a recommendation in its audit report on the fifth instalment of F4 claims to develop guidelines for filings on environmental claims as part of a lessons-learned exercise. The secretariat remains ready to participate with the Office of Internal Oversight Services in a joint lessons-learned exercise if the Office is prepared to do the same. The secretariat therefore considers that it has attempted to implement the recommendation and cannot do more without the cooperation of the Office of Internal Oversight Services.

59. The Office of Internal Oversight Services was of the view that UNCC was responsible for conducting the procurement exercise and entering into an agreement with the consultant selected. However, the Office noted that there seemed to be some contractual problems, concerning the legal language of the general conditions of the contract. Therefore the contract was never finalized by UNCC and the United Nations Office at Geneva, despite efforts by the Office of Internal Oversight Services to resolve the contract in line with the same procedures used when the same consultant had carried out a previous risk assessment for it.

60. The Office of Internal Oversight Services considered that it had made every effort to assist UNCC and the United Nations Office at Geneva to finalize the contract with the consultant, but was of the view that the failure of the latter two to come to an agreement on certain aspects of the conditions of the contract prevented it from being finalized on a timely basis.

61. UNCC stated that it strictly complied with the United Nations procurement procedures.

62. The Office of Internal Oversight Services further informed the Board that after 22 December 2004, preliminary discussions had covered the possibility of conducting a joint lessons-learned exercise with UNCC. They had held discussions in Geneva aimed at coming up with an acceptable formula for conducting this exercise. However, the requirements of UNCC for the exercise seemed to be different from those of the Office of Internal Oversight Services. In particular, UNCC did not want issues discussed in previous audits to be included in the exercise. The Office of Internal Oversight Services reported to the Board that it felt that this would infringe on its independence.

63. As a result of the failure of these two initiatives, the Office of Internal Oversight Services decided to prepare a report to the General Assembly on its various findings and conclusions arising from the audits it has conducted since it began auditing UNCC. It anticipated that this report would be presented to the Assembly at its sixtieth session.

64. The Board is concerned that UNCC and the Office of Internal Oversight Services had not implemented the above recommendation, although the latter was conducting internal audits according to its annual plan, and in line with paragraph 11 of General Assembly resolution 59/271.

III. Acknowledgement

65. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended by the United Nations Compensation Commission.

(Signed) Philippe **Séguin**
First President of the Court of Accounts of France
(Lead Auditor)

(Signed) Guillermo N. **Carague**
Chairman, Commission on Audit, Republic of the Philippines
Chairman, United Nations Board of Auditors

(Signed) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa

7 December 2005

Note: Mr. Séguin has signed the English and French versions of the report of the Board of Auditors; the other members of the Board have signed only the English version.

Notes

¹ See S/2004/789.

² The last such report was presented in *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 5* and corrigendum (A/57/5 (vol. I) and Corr.1), paras. 36-79.

³ See also the report of the Board of Auditors on the implementation of its recommendations relating to the biennium 2000-2001 (A/58/114), para. 15 (b)-(e).