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Held at Headquarters, New York, on Tuesday, 14 October 2014, at 10 a.m.

Chair: Mr. Ružička .... (Slovakia)
Chair of the Advisory Committee on Administrative and Budgetary Questions: Mr. Ruiz Massieu

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The meeting was called to order at 10.05 a.m.

Agenda item 130: Financial reports and audited financial statements, and reports of the Board of Auditors (A/69/378 and A/69/378/Add.1)

1. **Mr. Morse** (Chair of the Board of Auditors) said that all reports of the Board of Auditors reflected the unanimous views of its members. The United Nations entities reported on were generally in a relatively stable financial position, but business transformation and improvement was vital as resources were finite and mandates were increasing. As a result, improved efficiency and cost-effectiveness were no longer optional. However, the impressive level of effort by management and its strong commitment to drive change through had produced encouraging developments, including improvements in financial management following the successful roll-out of the International Public Sector Accounting Standards (IPSAS).

2. Regarding enterprise risk management, the Board welcomed the steps taken by the Management Committee to identify strategic risks and put in place a governance structure to address those risks and establish appropriate internal controls. The new enterprise resource planning system, Umoja, was a significant and necessary ambition to modernize processes and replace outdated systems, as well as to reduce costs and increase efficiency. The roll-out of the foundation phase in peacekeeping had been challenging, as existing ways of working in peacekeeping had proved to be much more diverse than management had expected and the training provided had not enabled local staff to operate the new end-to-end processes. Rectifying that had required considerable effort and resources. However, it was rare for major information and communication technology-enabled business transformation projects to work first time and the problems that had arisen in peacekeeping were themselves evidence of the need to press ahead with the Umoja project. Nonetheless, the roll-out of Umoja was costing more and taking longer than expected, and that trend was likely to continue. The Board considered it essential to continue with the project, but a new planning approach and new budgets and timelines must be established instead of year-on-year incremental changes. The Organization also needed to clarify the accountability of each Under-Secretary-General and head of business unit for the changes that needed to occur in their part of the Organization. Success was dependent on the business units, the process owners and the project team working together on the basis of clearly defined roles and responsibilities.

3. Regarding the regular budget process, the budget had different functions. On one level the budget process functioned as a way for Member States to make sure that money was being spent appropriately, and their approval gave them a chance to exert control in that regard. But the budget was also a key tool for management, a way to promote a deeper understanding of costs and a very powerful planning tool for ensuring that changes were implemented. The existing budget process was primarily a bottom-up process based on what things had cost the previous year. Members should consider whether a more effective tool could be devised so as to drive the changes needed within the Organization.

4. All United Nations entities were exposed to fraud risks, and it was therefore unsurprising that fraud cases had arisen, including in relation to pooled funds in a high-risk country operation being managed by the Office for the Coordination of Humanitarian Affairs. The Office had taken firm action but more work needed to be done, especially given that fraud risks probably occurred in many other high-risk country operations. The Organization needed a better understanding of the fraud risks it faced, especially external fraud risks, across all its activities, and an Organization-wide counter-fraud strategy should be developed that crossed organizational boundaries and mandated vigorous action on fraud.

5. Lastly, significant changes were taking place in response to the considerable efforts by management, but the Organization needed to agree on a model for how the United Nations should look in the future in order to facilitate more coherent change.

6. **Ms. Rios Requena** (Plurinational State of Bolivia), speaking on behalf of the Group of 77 and China, said that the Board played an important role as an independent external oversight body; the Group valued its reports on a wide range of issues. The Group would study the observations, comments and recommendations contained in the Board's reports with a view to contributing to proposals to address the deficiencies and weaknesses identified.

7. **Mr. Vrailas** (Observer for the European Union) said that his delegation attached great importance to the role of the Board of Auditors: its expertise was indispensable in improving the efficiency and effectiveness of the United Nations and embedding modern processes within it. Through its high-quality reports and useful recommendations the Board had made an important contribution to a sounder, more cost-effective and transparent United Nations system. Through its audits, the Board had provided independent assessments of the use of Member States' funds. Its reports had contributed to better governance and more efficient financial and operational management of the United Nations.

8. **Mr. Kisoka** (United Republic of Tanzania) said that his delegation valued the role of the Board of Auditors and other oversight bodies. It would carefully examine the recommendations made by the Board and the Advisory Committee in order to contribute to discussions in the Committee in line with existing mandates.

9. **Mr. Morse** (Chair of the Board of Auditors) welcomed the positive comments by delegations. The Board tried to tread a line between understanding what was practical in such a broad Organization with so many independent elements and understanding the great interest in the current environment in demonstrating that the Organization carried out its enormous responsibilities in a cost-effective, efficient manner.

10. **Mr. Bartsiotas** (Joint Inspection Unit), introducing the report of the Joint Inspection Unit on the review of the management of implementing partners in United Nations system organizations (A/69/378), said that implementing partners were third parties with which organizations entered into agreements and to which they allocated resources to implement their programmes and activities; in some organizations more than half of the annual budget was spent through such partners. To ensure commensurate levels of accountability and oversight, organizations were therefore expected to establish appropriate governance structures to ensure effective delivery of programmes with minimum risk of fraud, corruption and mismanagement. The report provided a system-wide review of the methods used by United Nations system organizations to select and manage implementing partners. It identified common challenges, explored areas for improvement and made recommendations to legislative bodies, heads of organizations and the United Nations System Chief Executives Board for Coordination.

11. The review had found that, despite the large volume of funds channelled through implementing partners and the important role that they played in delivering United Nations programmes, very few organizations had robust strategies, policies and procedures in place to select and manage their partners, and, in those that did, compliance with policies and procedures was not always consistent. Nevertheless, organizations had made concerted efforts in recent years to improve the management of implementing partners by strengthening due diligence mechanisms and updating policies and procedures.

12. Some organizations had a fragmented or ad hoc approach in engaging with partners. Organizations should adopt a strategic approach and use their respective corporate strategic objectives as the basis for determining partner requirements and selection. Organizations needed a common vision in order to make the most effective use of partners in programme delivery and ensure that field offices did not enter into partner agreements that diverged from corporate goals and priorities. In-depth assessments of implementing partners should be carried out using rigorous selection criteria in order to identify risks and capacity gaps in the partner. That would provide risk mitigation and capacity development measures that would ensure successful programme delivery. In practice, assessment by organizations often failed to provide the required assurance.

13. Agreements with partners provided the legal foundation for managing implementation and safeguarding the Organization's interests. They must include anti-fraud clauses, the right to investigate partners and their subcontractors and mandatory disclosure of funds received. Some organizations were updating and strengthening the standard clauses of their agreements to address such gaps.

14. There was often too much reliance on progress reports submitted by partners with little verification by United Nations staff to ensure that funds were being spent as intended and results were being achieved — partly due to weak monitoring, limited United Nation staff on the ground and lack of expertise. Organizations with a large volume of partners should therefore

develop a risk-based monitoring framework focusing on high-risk projects.

15. Although the decentralized environment in which most United Nations system organizations operated was prone to fraud, the fraud reported by United Nations agencies was unusually low. The lack of fraud awareness among staff on the ground and absence of anti-fraud training were of concern given that most fraud cases were exposed through reports by knowledgeable staff. The fragmentation of data was another area of concern as information was dispersed among many offices and automation systems. Most organizations had no access to key information on partners in an aggregated and user-friendly manner, and management lacked readily available information on the parties delivering programmes, which hindered accountability and informed decision-making.

16. At the country office level, organizations did not share information on implementing partners, even those with a poor performance record or fraudulent behaviour — a major barrier to fraud detection. Organizations should establish operational procedures for sharing partner information in the field. Similarly, there was limited or no sharing of information on partners among agencies at the headquarters level. Headquarters management could draw on the experience of other organizations: policy and management issues relating to implementing partners should become a regular agenda item of the United Nations System Chief Executives Board for Coordination, a point also made by the Board of Auditors.

17. National government entities were important implementing partners throughout the United Nations system. Organizations had put in place various modalities to deliver programmes through those entities in an effort to support national ownership and capacity-building. While there had been successful United Nations system interventions by those means, measuring actual progress on a system-wide basis had been elusive. The report therefore recommended that a system-wide study should be conducted to take stock of the effectiveness of implementing partner modalities in strengthening national capacities and promoting national ownership.

18. **Mr. Herman** (United Nations System Chief Executives Board for Coordination), introducing the note by the Secretary-General transmitting his comments and those of the United Nations System Chief Executives Board for Coordination on the report of the Joint Inspection Unit (A/69/378/Add.1), said that the report made a valuable contribution to efforts by the United Nations system to ensure continuous improvement and offered an opportunity to disseminate good practice in managing implementing partners. The United Nations organizations welcomed, without reservation, many of the recommendations, and fully agreed with recommendation 6 to strengthen implementing partner agreements to safeguard the interests of their organizations, as well as recommendation 8 concerning training in fraud prevention and awareness for staff members engaged with implementing partners.

19. In other cases, agencies agreed with the substance of the recommendations but were concerned about their implementation. Concerning recommendation 4, they agreed with the need for assessments to determine the capacity of implementing partners, but the recommendation should take into account that implementing partners came in all shapes and sizes and it might not be possible to perform an assessment with the sole objective of establishing capacity, weaknesses and risks. Further, the cost of implementing recommendations must be borne in mind. Training, studies and tracking within automated systems all required investment and the resources required were increasingly difficult to identify. As a result, agencies might differentiate between the recommendations that they could accept and those that they could meaningfully apply.

Agenda item 132: Programme budget for the biennium 2014-2015 (*continued*)

Construction and property management (A/69/359 and A/69/415)

20. **Mr. Kelapile** (Chief of Staff, Economic Commission for Africa), speaking via video link from Addis Ababa to introduce the report of the Secretary-General on progress in the construction of additional office facilities at the Economic Commission for Africa (ECA) in Addis Ababa, proposals for the renovation of conference facilities, including Africa Hall, and revised estimates relating to the programme budget for the biennium 2014-2015 under section 18, Economic and social development in Africa, section 33, Construction, alteration, improvement and major maintenance, and section 34, Safety and security (A/69/359), said that

construction of the additional office facilities at the Economic Commission for Africa had been substantially completed and the premises were operational and fully occupied by United Nations entities. Various ancillary projects were scheduled to be completed by the end of 2015. With regard to the renovation of the conference facilities at the United Nations Conference Centre, conference rooms 3, 4, 5 and 6 and the kitchen had been returned to full operations, while other spaces had been upgraded and were also available for use. The remaining works, including outfitting of conference rooms 1 and 2 and creation of access for persons with disabilities, would be completed in 2016-2017. Phase 2 of the roof renovation works at the Conference Centre was at the procurement stage and would be completed in 2015.

21. Regarding Africa Hall, the first two of the five stages of renovation had been completed. The detailed assessment and analysis undertaken by the consultant engaged by the Commission had revealed a great deal of deterioration and numerous deficiencies that must be addressed to ensure that the building remained safe, functional and in strict compliance with the highest international standards for conference facilities. Should the Assembly approve the contents of the Secretary-General's report, the renovations would entail structural upgrades and safety building works; plenary hall renovation; heritage conservation; external works and landscaping; and a visitors' centre to enrich the permanent display. The estimated overall cost of the proposed renovation of the Hall was $56,896,300 over a period of seven years.

22. **Mr. Ruiz Massieu** (Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/69/415), said that the Advisory Committee welcomed the substantial completion of the new office facilities and their full occupancy by August 2014, and recommended that the Assembly should request the Secretary-General to ensure that the remaining ancillary work was fully completed by June 2015. It also recommended that the Assembly should approve 14 of the 18 additional Security Officer posts proposed to handle the increased workload resulting from the addition of the new facilities to the ECA complex.

23. Regarding the renovation of Africa Hall, the Advisory Committee noted the progress made towards completion of stages 1 and 2 for development of the concept and design, and recommended that the Assembly should authorize the Secretary-General to proceed to stage 3 and approve the additional resources proposed for the detailed design and tender documentation.

24. In its report, the Advisory Committee made a number of observations and recommendations to be taken into account in the next stages of the renovation project. It also recommended that the Assembly should request the Secretary-General to include in his next progress report detailed cost estimates for each phase of the project, with a breakdown of all construction-related and associated costs. It further recommended that the estimates for cost escalation and contingency for the renovation project should be estimated and managed in accordance with its previous recommendations on construction projects, as endorsed by the General Assembly. The recommendations of the Advisory Committee would result in an additional appropriation of $2,610,000 to be charged against the contingency fund for the biennium 2014-2015.

25. **Ms. Rios Requena** (Plurinational State of Bolivia), speaking on behalf of the Group of 77 and China, said that her delegation welcomed the completion of the additional office facilities but stressed the need to ensure the timely and full completion of the remaining ancillary work in order to avoid further delay and cost overruns. With regard to occupancy and rental income, the Group noted that the new facilities hosted 685 staff, compared with 647 planned, and would welcome clarification of cost-recovery arrangements for services provided to the tenant entities. Furthermore, estimates were urgently needed for the maintenance of the facilities and information should be provided on the surplus from rental and other incomes.

26. The Group noted that the total cost of the project remained at $15.3 million, and encouraged the Secretary-General to ensure that the project was completed on time and within the approved budget. The Group welcomed the Secretary-General's proposal to enhance security at the premises.

27. The Africa Hall renovation was still at the conceptual and design stage, and the Group was deeply concerned at the continued delay in that important project. She requested detailed information on the reasons for the delay, as well as information on accountability and oversight measures adopted to avoid

further delays. The Secretary-General should take all necessary steps to complete the project on time and within budget while ensuring that mechanisms for oversight of the project by both Headquarters and the project management team in Addis Ababa were in place.

28. **Mr. Dosseh** (Togo), speaking on behalf of the Group of African States, said that the Group welcomed the completion of 95 per cent of the construction of additional office facilities at the Economic Commission for Africa and full occupancy of the premises, and urged the Secretary-General to ensure that the project was completed in a timely manner, including rectifying minor defects and completing ancillary project work. It was regrettable that setbacks in the project had caused delays and cost escalation. It was important that lessons were learned from the new office facilities project and other United Nations capital projects in order to address future issues and challenges related to construction at the Commission. The Group welcomed the assurances from the Government of Ethiopia regarding guaranteed access for all imported materials, as well as the hiring of external contractors and international consultants.

29. Regarding the renovation of Africa Hall, measures must be taken to address the decline in the utilization rate of conference rooms as a result of ongoing renovation work. To that end, a standard harmonized methodology should be applied to estimate the utilization rate of conference rooms across the Secretariat. Full accountability and oversight over construction projects were vital; the Group welcomed the Secretary-General's proposals to improve project management. It called on the Secretary-General to take all necessary measures to keep the Africa Hall project on track and avoid further delays. The Group was interested in the findings of the follow-up audit undertaken by the Office of Internal Oversight Services, including the lessons learned during the construction of the new office facilities, and would request information on the measures taken to address any shortcomings in the projects, accountability aspects and resources requirements for the 2014-2015 biennium. Lastly, the quality of videoconference technology needed to be improved at the Economic Commission for Africa and Headquarters.

30. **Mr. Bame** (Ethiopia) said that his delegation welcomed the completion of the construction of the additional office facilities and the full occupancy of the premises, and hoped that the remaining ancillary project work would be completed on schedule. The additional office facilities comprised a seven-storey building accommodating 685 occupants. Given the surge in the number of staff, visitors, delegates and vehicles entering the compound, his delegation supported the proposal for an additional 18 Security Officers.

31. Africa Hall was a monument to modern African history and a landmark building in Addis Ababa which had hosted numerous high-level meetings and been the site of historic decisions. The consultant assessment of the Hall had revealed extensive structural deterioration and numerous deficiencies. As a result, urgent renovation work was critical to ensure that the building was safe and functional, and was a prerequisite for meeting the project objectives relating to the Hall. Given the delays that had already accumulated in the execution of the project, the Assembly should authorize the Secretary-General to proceed to stage 3, pre-construction, so that the development of the detailed design, construction drawings and tender documentation could commence according to plan.

32. Noting the projected cost of $56,896,300 between 2015 and 2021, he said that the Government would continue to do its utmost to facilitate the smooth implementation of the project, including guaranteeing access for the import of all materials.

33. **Mr. Kalugin** (Russian Federation) said that his delegation welcomed the completion of construction of the additional office facilities at the Economic Commission for Africa and trusted that the ancillary project works would be completed on time and within budget. The Secretary-General's request to establish an additional 18 Security Officer posts at the Commission to serve the security needs of the new building must be carefully studied and information provided on the functions of each new post in relation to existing security capacities. The Committee should carefully examine the costing of the renovation of Africa Hall, given its impact on the programme budget for the seven years from 2015 to 2021. The Secretariat was requested to comment on the Advisory Committee's recommendation to establish a multi-year special account for the duration of the Africa Hall renovation project. His delegation also asked whether the lessons learned from larger United Nations infrastructure projects such as the capital master plan had been taken

into account in the plan for the renovation of Africa Hall.

34. **Mr. Kisoka** (United Republic of Tanzania) said that measures must be taken to improve the quality of videoconference technology at both the Commission and at Headquarters.

35. **Mr. Kelapile** (Chief of Staff, Economic Commission for Africa) said that the Commission faced serious problems relating to technology and improvements were needed. The substantial completion of the new office facilities would not have been possible without the support of the Government of Ethiopia and the Commission looked forward to continued collaboration with the Government.

The meeting was adjourned at 11.30 a.m.