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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Improving Financial Management In the United Nations by Strengthening Audits and Evaluations

Financial management can be improved in the United Nations and its specialized agencies, whose combined budgets exceed \$2 billion, through more effective audits and evaluations. This is essential to the effective use of these large funds. U.N. audits and GAO reviews have pointed out serious financial management problems. Audits and evaluations have not yet reached the stage where U.N. decisionmakers can systematically receive valid information about the worth of U.N. activities.

GAO recommends financial management improvements, including the establishment of the position of Auditor General of the United Nations. These improvements can be accomplished only through active support of the member governments and U.N. officials at the highest levels.





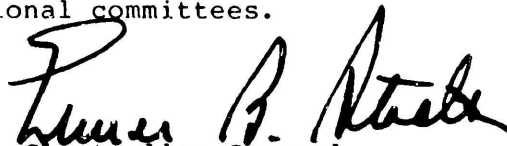
COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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To the President of the Senate and the
Speaker of the House of Representatives

This report discusses ways that financial management in the United Nations can be improved through U.S. and other member governments' efforts to obtain more effective audits and evaluations.

Copies of this report are being sent to the Director, Office of Management and Budget; the Secretary of State; and to the appropriate congressional committees.


Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

IMPROVING FINANCIAL MANAGEMENT
IN THE UNITED NATIONS BY
STRENGTHENING AUDITS AND
EVALUATIONS

D I G E S T

Rapidly increasing budgets of the United Nations (U.N.) system--the United Nations, its specialized agencies, and the International Atomic Energy Agency--have increased the need for greatly improved financial management. In 1967, the combined budgets (exclusive of trust funds) of the U.N. system amounted to \$642 million, with the United States contributing \$262 million. Ten years later, the same budgets amounted to over \$2.4 billion, with the United States contributing \$600 million.

Improved financial management will increase efficiency and economy in U.N. operations at all levels and will permit a greater portion of the available funds to be applied directly to programs. These needs can be accomplished only with the active support of the member governments, including the United States, and U.N. officials at the highest levels. In 1978, a U.S. delegate to the United Nations emphasized that the United Nations must improve its financial management, pointing out it cannot afford the risk or the costs of mismanagement.

Although the current GAO review disclosed that improvements in external and internal audits and evaluations in the U.N. system are taking place, more needs to be done. The United Nations should inform its contributors and its beneficiaries about how effectively the monies provided are being used. To do this the United Nations should be in the forefront of auditing practices. It is not.

EXTERNAL AUDITS

External auditing in the U.N. system is carried out by the U.N. Board of Auditors

and the External Auditors of the specialized agencies. In recent years, to conform to modern accounting and auditing practices, the External Auditors of the United Nations and specialized agencies have expanded the scope of their reviews and included more administrative and management aspects in their reviews. (See p. 11.)

Because not all countries have adopted this auditing concept and the committee to whom the Board reported was not specifically set up to discuss audit recommendations, the modern approach could be jeopardized as Board members change. To make audits more effective, a recent consultants' report to a member of the Board of Auditors stated there was a need for more fundamental changes in the charter and organization of the Board of Auditors. The report recommended establishing an Auditor General with staff drawn from member countries and the Board becoming more an overseer or audit committee, rather than being involved in the details of the audit. GAO believes such a change is necessary. (See pp. 5 to 10.)

INTERNAL AUDITS

Internal audits in the United Nations are carried out through the Internal Audit Service, and by other internal audit units in several related and subsidiary agencies, and the specialized agencies. Internal audit units in the U.N. system should provide management with needed assurances that financial controls are adequate and should furnish analysis and recommendations concerning the activities reviewed. (See p. 17.)

Internal audit reports are not made available to member governments, thus, GAO has not been able to review the internal audit reports and cannot state whether these reports have accomplished their purpose. GAO did note there is a need for improvement in the type of reviews performed and in the training and number of assigned staff. Budget constraints are currently limiting some of these needed improvements. (See pp. 17 and 19.)

EVALUATIONS

External evaluations throughout the U.N. system are conducted by the Joint Inspection Unit, a body of 11 inspectors, and support personnel. The Joint Inspection Unit was granted permanent status by the United Nations, effective January 1978, and most specialized agencies since that time have accepted the new status. Besides conducting external evaluations, this unit also assists U.N. organizations in establishing and improving internal evaluation mechanisms. It is regarded by the Administration as the independent evaluation unit in the United Nations that the Congress sought to have established by its 1973 amendment to the Foreign Assistance Act. (See pp. 22 and 23.)

The Joint Inspection Unit has noted that improvements in evaluations in the U.N. system have taken place during the last couple of years, but that much more needs to be done. These efforts have not yet developed to where U.N. decisionmakers can systematically receive valid information about the worth of U.N. activities. (See pp. 23 and 25.)

RECOMMENDATIONS

GAO recommends that the Secretary of State instruct the U.S. Mission and U.S. delegates to the United Nations to work with member country delegates in establishing a professionally qualified audit group, headed by an Auditor General who would be responsible for conducting the external audit of the United Nations and its related or subsidiary organizations. Improved auditing procedures in the United Nations are needed immediately and thorough consideration of the recommendations contained in the consultants' report must be assured. The U.S. Delegation should give maximum support to those proposed actions. (See p. 10.)

GAO is making several other recommendations. (See pp. 16, 20, and 33.)

AGENCY COMMENTS

State Department officials have stated that they fully support the GAO recommendations. (See pp. 10 and 16.)

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ABBREVIATIONS

ACC	Administrative Committee on Coordination
CPC	Committee on Programing and Coordination
FAO	Food and Agriculture Organization
GAO	U.S. General Accounting Office
JIU	Joint Inspection Unit
U.N.	United Nations
UNDP	U.N. Development Program
UNICEF	U.N. Children's Fund
UNESCO	U.N. Educational, Scientific and Cultural Organization
WHO	World Health Organization
WMO	World Meteorological Organization

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CHAPTER 1

INTRODUCTION

The United Nations (U.N.), which was established in 1945, had a system-wide budget of over \$2.4 billion in 1977. The United Nations is composed of six main organizations--the Security Council, the International Court of Justice, the Trusteeship Council, the Economic and Social Council, the Secretariat, and the General Assembly. In addition, the U.N. system presently includes nearly 30 major subsidiary and specialized agencies. The latter are agencies independent, autonomous organizations which have separate statutes, budgets, staffs and memberships.

From the 51 original member countries, the United Nations has grown significantly to the present 151 member nations. Similarly, the U.N. budget and U.S. contributions have grown. As shown in the following graph for the period 1967 to 1977, the U.N. budget has increased from \$642 million to over \$2.4 billion, and U.S. contributions have increased from \$262 million to about \$600 million.

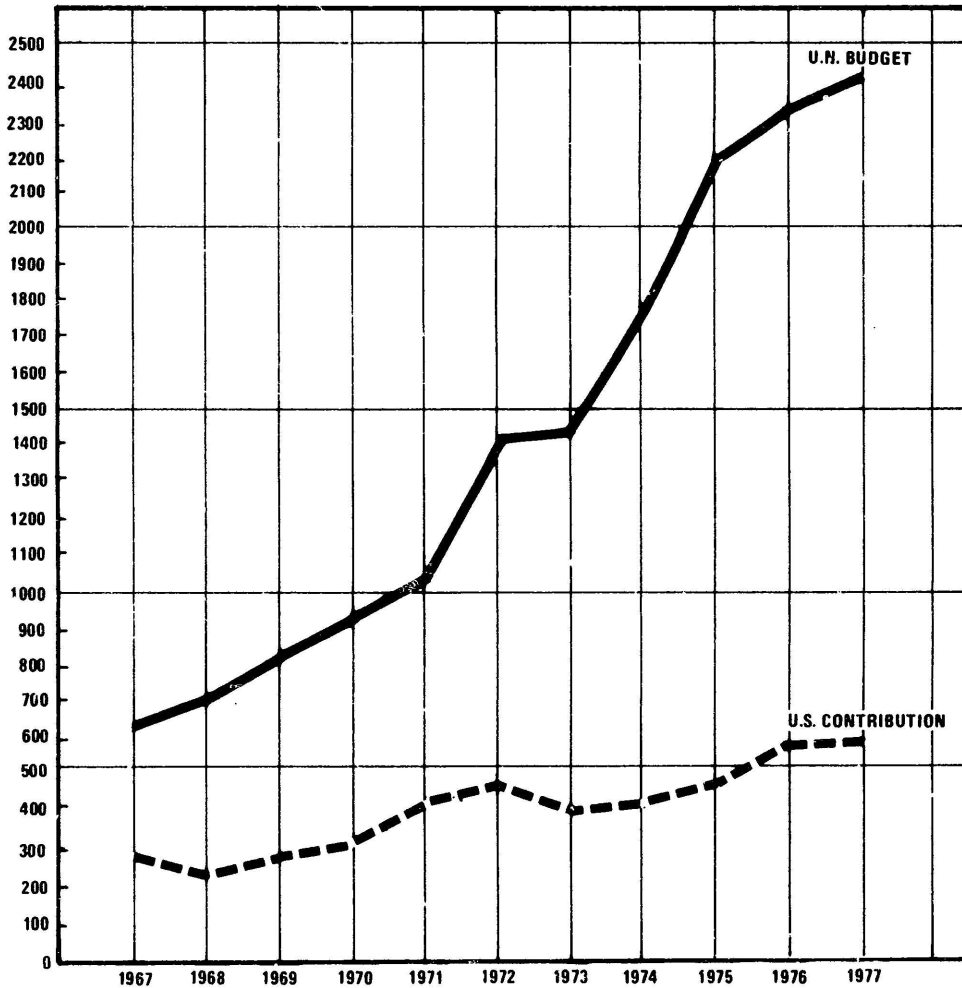
With the large amounts expended by the U.N. system, we believe the United Nations should account for how effectively monies are being used to its contributors and to its beneficiaries. Thus, effective financial management, including internal and external auditing and evaluations, has become more important.

The United Nations should identify for member governments the objects for which resources have been devoted and the manner and effect of their application. In the U.N. system, several organizations have been established in an attempt to carry out this responsibility. These organizations include the following which are responsible for either auditing or evaluating the United Nations, its related or subsidiary bodies, or specialized agencies

- the Board of Auditors,
- the other External Auditors,
- the several internal audit units in the United Nations, and
- the Joint Inspection Unit (JIU). (See app. II.)

U.N. SYSTEM BUDGET
AND U.S. CONTRIBUTION
1967-1977

AMOUNT
(\$000,000)



U.S. PARTICIPATION IN THE U.N. SYSTEM

The Secretary of State is responsible for U.S. participation in the U.N. and its specialized agencies. This responsibility includes planning, formulating, and implementing U.S. policies and coordinating technical positions throughout the Government concerning international organizations. The Secretary also

- approves U.S. contributions to the organizations and
- determines how participation in the organizations can best serve U.S. interests.

These responsibilities are carried out primarily through the Bureau of International Organization Affairs.

The United States is represented by a permanent mission at the U.N. headquarters in New York. The mission serves as the channel of communication for the U.S. Government with the U.N. organizations, agencies, and commissions at the headquarters; with the other permanent missions accredited to the United Nations; and with nonmember observer missions. The mission is also a base of operations for the U.S. delegations to the General Assembly and to other U.N. bodies when they meet in New York.

The United States also maintains a permanent mission in Geneva under the direction of a U.S. Representative, with the rank of ambassador, who is accredited to the European Office of the United Nations and to the U.N. specialized agencies and other international organizations with headquarters in Geneva. The mission carries out instructions, as transmitted by the Secretary of State, and serves as the channel of communication for the U.S. Government with these organizations and U.N. activities in Geneva. In addition, the United States maintains a mission at the headquarters of the U.N. Educational, Scientific and Cultural Organization (UNESCO) in Paris and at the locations of several other international organizations.

SCOPE OF REVIEW

Our review appraised the effectiveness of internal and external auditing and evaluations in the U.N. system as a means of improving overall financial management. We were particularly interested in U.S. participation in the various assemblies, organizations, and committees to see if the

United States was doing all it could to effect financial management improvements.

Most of our work was conducted at the U.S. Mission to the United Nations in New York and at the Department of State Bureau of International Organization Affairs. We also held discussions with U.N. officials and used information obtained from our current and previous reviews.

Our efforts were essentially directed to financial management in

- the U.N. headquarters and two related or subsidiary organizations,
- the U.N. Development Program (UNDP),
- the U.N. Children's fund (UNICEF), and
- four specialized agencies: UNESCO, the Food and Agriculture Organization (FAO), the World Health Organization (WHO), and the World Meteorological Organization (WMO). (See app. I.)

CHAPTER 2
IMPROVED FINANCIAL MANAGEMENT IN
THE UNITED NATIONS NEEDED

Since the founding of the United Nations up to the present time, there has been continuing recognition and effort to improve financial management within the United Nations and its family of organizations to make the most effective use of available resources.

An effective, independent, organizational unit which reports to top management for auditing, reviewing and evaluating both financial transactions and program effectiveness does not now exist within the United Nations, even though the need has been well identified and recognized.

RECOGNIZED NEED

As early as 1955, the U.N. Secretary General Dag Hammarskjold proposed establishing an Office of External Audit, consisting of a small permanent staff, headed by a Chief Auditor and supplemented, as required, by staff detailed from national audit services. This Office was to provide audit services for the Board of Auditors and relieve them of the burden of furnishing staff for detailed audits. The proposal was made then because of the potential problem of securing staff for detailed audit work. Because the problem was resolved when an Auditor General was appointed to the Board of Auditors who had the required staff available, the proposal was dropped. Our analysis has shown that the proposal for a Chief Auditor or Auditor General still has merit. (See ch. 3.)

As early as 1969, our reports (see app. III) urged that the Department of State, in conjunction with other member governments, act to improve financial management in the U.N. system. During this review, we found that some progress had been made toward improving audits and evaluations. The scope of external audits has been expanded, and evaluation systems are being established in many U.N. organizations. Financial management, however, has not yet progressed to where administration and member governments have adequate and reliable information to ensure that limited U.N. resources are being effectively managed and used and are meeting program objectives.

Since Secretary General Hammarskjold's proposal, numerous other proposals and studies directed at improving the audit,

review, and evaluation capability in the United Nations have been voiced. Although much progress has been made, much more remains to be done.

CONSULTANTS' REPORT

The most recent study on this matter was commissioned by a member of the Board of Auditors of the United Nations. In a 1979 report, the consultants concluded that there was a basic contradiction between the type of audit the United Nations needs and the ability of the Board of Auditors to supply it under present arrangements. As stated in the report:

"On the one hand, the size of the U.N.'s activities and the nature of its financial systems demand increasingly sophisticated audit techniques; and on the other hand, turnover of Board members to make the Board representative of member nations creates continuing difficulties in training staff and managing the U.N. audit in a manner that introduces and maintains the best of world-wide auditing techniques."

The consultants observed that the members of the Board now carry on some of the duties of an audit committee as practiced in both the private and public sectors, such as reviewing audit plans and reports, but they do not conduct hearings where responsible members of the Administration explain how they plan to act on matters raised by the audit. In addition, the consultants observed that the U.N. Board of Auditors could very usefully serve as an audit committee of the General Assembly whereby, on behalf of the Assembly, the committee would influence the direction and the quality of the audit work and would ensure that the Administration takes appropriate action on audit findings.

The consultants further stated that, if the Board of Auditors assumed the role of an audit committee of the General Assembly, it should become more independent of the actual audit process. The Board could further divorce itself from the actual audit which would then be left to someone who might then be designated the Auditor General of the United Nations.

The consultants reported that the scope of the audit work conducted by the Board should expand beyond the financial verification functions and should include evaluations of economy, efficiency, and effectiveness--provided the activities of the Joint Inspection Unit were not duplicated. This proposal would enable both those conducting traditional

financial audits and those responsible for the newer types of evaluation to report to the Board of Auditors, thus facilitating coordination of the activities of the two groups and further integration, if this should prove desirable.

If this role were undertaken by the Board, the size of the Board could be usefully expanded along the lines of the Advisory Committee on Administrative and Budgetary Questions (see app. II), thus satisfying those who wish to see the Board more representative. Membership elections would be conducted in a manner similar to those of the Advisory Committee, and nominees would be auditors general or comptrollers of member nations. Expansion of the Board might also create a need for a full-time chairman, following the precedent of other similar bodies, particularly if the Joint Inspection Unit were given the opportunity to present reports to the Board. The exposure of their findings within the United Nations could, therefore, be increased.

The separation between the role of an audit committee which should be assumed by the Board of Auditors and the actual audits is a very important element in the modernization of U.N. auditing practices. Only if a proper audit capability is established under the direction of a competent individual can this role separation be achieved. A significant change is, therefore, required in the traditional approach to staffing the U.N. external audit requirements. This change would be very beneficial and would enable member nations to participate in the work of the Board of Auditors without necessarily having to supply staff to carry out the audit work.

A natural further step in clarifying the role of the Board according to the consultants would be to transfer the responsibility for the conduct of the audit to the proposed Auditor General. This could be done by strengthening his authority and providing him with a global budget for audit expenses, separate from those of Board members. The administrative expenses of the Secretariat, which are now budgeted separately, would have to be reallocated between the Board and the Auditor General, as appropriate.

The Auditor General would then be responsible for engaging the auditors needed to conduct audits within a budget approved by the Board. The audit staff should be selected on a worldwide basis by arrangements made with the auditors general of member nations, from auditors proposed by members of the Board of Auditors, from international accounting firms, or from individuals offering their services on a full or part-time basis.

For the objectives underlying this report to be attained, it is essential that candidates for this important post be selected only from those who have outstanding administrative skills and successful experience in applying audit techniques that will place the U.N. in the forefront of worldwide auditing practices.

These arrangements, in the opinion of the consultants, illustrate the types of matters that would give the necessary authority to the Auditor General so that he could provide the U.N. with the highest quality of external audit.

CONSULTANTS' RECOMMENDATIONS

Based upon these observations the consultants made the following recommendations.

Role of the Board of Auditors

"The role of the Board of Auditors should be changed from that of actually conducting the audit to that of acting as an audit committee on behalf of the General Assembly."

Conduct of the audit

"The audit of the United Nations should be conducted by an Auditor General who would report to the General Assembly through the Board of Auditors."

Size of the Board of Auditors

"The members of the Board of Auditors should continue to be elected for a three-year term by the General Assembly from legislative auditors or comptrollers nominated by member nations, but its size should be increased to allow for more representation of member nations. The Board should be financed from a budgetary allotment separate from that of the Auditor General."

Appointment of the Auditor General of the United Nations

"The Auditor General should be nominated by the Board of Auditors from persons with appropriate professional qualifications and experience and should be appointed by the General Assembly for a fixed term of not less than six years."

Duties of the Auditor General of the United Nations

"The Auditor General should be responsible for conducting the audit of the United Nations within the resources allocated to him by the General Assembly and in accordance with an audit plan approved by the Board of Auditors. The Secretariat assigned to the Auditor General by the Administration should work under his direction."

Audit scope

"The systems-based audit approach should be gradually extended to include an assessment of the adequacy of systems in contributing to economical, efficient and effective expenditure of the U.N.'s resources. The efforts of the Auditor General and of the Joint Inspection Unit respectively in the area of program effectiveness should be co-ordinated by the Board of Auditors."

Staffing the audit

"The Auditor General should be responsible for selecting audit staff, guided by the requirements for professional qualifications and experience and with due regard for equitable geographic distribution."

Planning the audit

"The Auditor General should prepare an audit plan for approval by the Board of Auditors."

Review and reporting by the Board of Auditors

"The Auditor General's audit report should be reviewed by the Board of Auditors, who should forward the reports to the General Assembly after conducting hearings, with whatever recommendations or observations the Board wishes to make."

Reports issued by the Auditor General of the United Nations

"The Auditor General should, throughout the biennium, issue management reports containing observations arising from his audit work and calling

for responses by the Administration. His report to the General Assembly at the end of the biennium should indicate the matters on which remedial action has been inadequate."

Training and manuals

"The Auditor General should implement a program for the on-going professional development of his staff in contemporary auditing techniques and for the development and maintenance of the manuals and other tools necessary to the performance of the audit work. The financial resources allocated to the Auditor General by the General Assembly should provide resources for this purpose."

CONCLUSIONS

We recognize that a considerable amount of time is required to effect major changes in an organization as large as the United Nations. We believe, however, that the need for change has been more than adequately studied, and that appropriate steps have been identified for reviewing major shortcomings in the present financial-management system of the United Nations. We also believe member governments are willing to take these steps.

We believe that establishing a highly qualified group, headed by an Auditor General, is needed within the United Nations to provide the United Nations with the highest available standards of auditing. To move vigorously toward this objective, we believe that a resolution should be put before the General Assembly of the United Nations as soon as possible.

RECOMMENDATION

We recommend that the Secretary of State instruct the U.S. Mission and U.S. delegates to the United Nations to work with member-country delegates in establishing a professionally qualified audit group, headed by an Auditor General who would be responsible for conducting the external audit of the United Nations and its related or subsidiary organizations. Improved auditing procedures in the United Nations are needed immediately and thorough consideration of the recommendations contained in the consultants' report must be assured. The U.S. Delegation should give maximum support to those proposed actions.

AGENCY COMMENTS

State Department officials stated that they fully support our recommendation.

CHAPTER 3

EXTERNAL AUDITING--

A CHANGING APPROACH

External auditing in the U.N. system is carried out by the U.N. Board of Auditors and by the External Auditors of the specialized agencies. In recent years, in order to conform to modern accounting and auditing practices, the External Auditors of the U.N. and those of the specialized agencies have included more administrative and management aspects in their reviews besides the normal financial matters. We believe this approach will aid both management and the governing bodies in their decisionmaking and should be encouraged. However, to make audits more effective there may be a need for more fundamental changes in the charter and organization of the Board of Auditors. A recent consultants' report has recommended such changes.

U.N. BOARD OF AUDITORS

The U.N. Board of Auditors established in 1946 is responsible for external reviews of the U.N. and its related or subsidiary bodies. The Board is currently composed of the Auditors General of Bangladesh, Canada, and Ghana, and for 1978 and 1979, \$2.6 million was budgeted for the audit effort.

Members of the Board are elected by the General Assembly for a 3-year term, with one member's term expiring each year. The Board members provide the audit staff as needed from their own organization. Consequently, there is little permanency among the personnel performing the external audits of the U.N.

Over the years there has been some concern that the limited Board membership and lack of continuity in the audit staff as well as other organizational aspects were having an adverse effect on external audits of the U.N. Several studies were conducted, but little in the way of change resulted. In 1976, however, an analysis commissioned by the Auditor General of Canada and performed by consultants resulted in some significant recommendations that were adopted by the Board. They included: the establishment of an Audit Operations Committee, measures taken to integrate audit staff, and expansion of the audit scope, including the conducting of special studies.

Audit Operations Committee and staff integration

In 1976 an Audit Operations Committee was established, which consists of a Director-General and three Directors of Audit Operations. The main purpose of the Committee is to coordinate the integration of the different audit staffs and their activities and jointly review the reports issued by the audit teams. Full integration of the audit staffs, however, has not been achieved, and may be difficult to implement as long as the staff is of a temporary nature, drawn solely from only three countries, and the traditional areas of assignment for each Board member are adhered to. We believe that full integration is necessary to obtain a consistent approach to reviews in the U.N.

System based audit approach

During its first 30 years of operation, Board of Auditors reviews were primarily directed toward verification of individual transactions. Although efforts had been made as early as 1968 to move the Board of Auditors towards making management type reviews, it was not until 1976 that this change took place on a comprehensive basis.

This shift in audit emphasis has been received favorably by a number of member governments and is in accordance with audit standards generally accepted in the United States. For example, a 1975 statement by the Comptroller General of the United States on auditing and reporting standards for use of U.S. representatives to the United Nations, states that the term audit should include not only financial and compliance auditing, but also auditing for economy, efficiency, and achievement of desired results.

The system-based audit approach could be jeopardized, however, as Board members change, since not all countries have adopted this auditing approach. If the system-based auditing approach is not used in the new members country, and is to be continued, there will be a need for an extensive staff training program.

Financial management control study

This study is an example of the Board's expanding approach to auditing. The special study highlighted several significant weaknesses in financial management in the United Nations. For example, the report noted that the U.N. controller leadership role in financial activities was not

always being exercised because of the independent nature of some subsidiary organizations. It recommended that the General Assembly reaffirm that all financial functions are under the Controller's direction. The report also stated an integrated cash management and short-term investment system should be developed providing for an appropriate degree of coordination among U.N. offices and an independent monitoring of over-all cash management and investment activities.

Prior to publication of the study, along with the U.N. financial report in 1978, it was reviewed and discussed by the Advisory Committee on Administrative and Budgetary Questions with the U.N. Administration and representatives of the Board present. Most issues were solved at that time. In this manner the recommendations received timely consideration. However, this Committee has not been specifically set up to discuss audit recommendations and apparently does not intend to continue with the practice of having the Board and the Administration appear at the same time. Consequently, there may be a need for an audit committee specifically devoted to handle, on a timely basis, the findings and recommendations of the External Auditors.

Further improvements recommended

The consultants that performed the 1976 analysis also performed a follow-up review and issued a report in February 1979. They noted that most of the prior recommendations have been implemented, but that there was still a need for more fundamental changes in order that the Board could discharge its mandate in a completely satisfactory manner.

The proposed changes together with our observations and recommendation as previously noted are contained in chapter 2.

EXTERNAL AUDITORS OF SPECIALIZED AGENCIES

The External Auditors are generally appointed by the governing bodies of the organizations for a renewable or indefinite period. For some agencies, the External Auditor, by charter or regulation, must be the Auditor General (or similar title) of a member country; for others, a qualified individual. The External Auditors for all the specialized agencies are listed in appendix IV. (See pp. 42 and 43.)

Expanding scope

In examining the reports prepared by some of the External Auditors, we noted that there has been an increasing trend to

include more administrative and management aspects in their reviews besides the normal financial matters. This approach has been favorably received by the agencies' governing bodies.

For example, in 1978, the External Auditor of UNESCO appeared before the Executive Board to more fully explain the scope and results of his work. In the discussions there seemed to be general support of the work performed by the External Auditor, and the fact that his reviews were not limited to the verification of financial transactions. The Executive Board considered the operational aspects of the External Auditor's work essential in enabling its members to evaluate UNESCO's program of work.

Similarly, the WHO Assembly, in commenting in 1978 on the services of the External Auditor, stated that his work had been extremely useful to the Organization particularly since he had devoted considerable efforts to matters beyond the scope of a purely financial audit, such as management and evaluation.

STATE DEPARTMENT'S EFFORTS TO IMPROVE AUDITING

The State Department has endorsed and emphasized that external audits are essential if member states are to be assured that operations are conducted in accordance with principles of sound financial management. In some cases, however, we found that its representatives need to become more aware of the audits being conducted and their results.

U.N.

The U.S. Representative to the Fifth Committee stated in October 1978 that the United States was pleased with the organizational steps taken by the Board of Auditors and the additional steps it will take to improve its own procedures. The Representative stated that the United States believes that the establishment of the Audit Operations Committee under the chairmanship of a Director-General has improved U.N. auditing procedures. Also, he said that an integrated approach to auditing is important in view of the diversities inherent in the auditing approach of the three national auditing services which make up the Board of Auditors.

Specialized agencies

The U.S. representatives and personnel in the State Department concerned with the U.N. specialized agencies have generally supported the work of the External Auditors. In some instances, however, more can be done. Some examples follow.

For UNESCO in 1977 a State Department position paper was prepared for use during the Executive Board's discussion of the External Auditor's report. The position paper recommended that the U.S. representatives use the opportunity presented to press the Director-General to improve financial management in UNESCO. The position paper noted that the United States should seek further information on several aspects of the External Auditor's report, including his statement that he was unable to reconcile certifications relating to 18 bank accounts. Likewise, the following year, the U.S. delegate to UNESCO's General Conference supported the work of the External Auditor on several occasions in such areas as the need for better cash management and the certificates of bank accounts.

With respect to FAO, we noted that appropriate State Department personnel were not always familiar with the work of the External Auditor. They did not have available all of the External Auditor's reports nor did they prepare position papers or guidance for U.S. representatives to the agency. This limited interest seems to be related to the fact that the United States is no longer represented on the Finance Committee of the Council.

CONCLUSIONS AND RECOMMENDATIONS

We saw that during our review of audit reports that the Board of Auditors and other External Auditors have been adopting more modern practices in their reviews. The adoption of system-based auditing and increased emphasis on administrative and management aspects should increase the effectiveness of their reviews and help management and governing bodies in their deliberations of ongoing and future operations and programs.

We also believe the approach taken by External Auditors in appearing before governing bodies to more fully explain the scope and results of the work will aid in the effective implementation of audit recommendations. We believe U.S. representatives in the U.N. system in conjunction with representatives of other member governments should encourage the practice.

The continued use of system-based auditing and other modern auditing concepts and practices at the United Nations, however, could be jeopardized as membership on the Board of Auditors changes, since not all countries have adopted this approach. Also to insure that recommendations resulting from the work of the auditors are considered in a timely manner, there is a need for the establishment of an independent committee specifically devoted to discuss and insure

implementation of audit recommendations. The Advisory Committee on Administrative and Budgetary Questions has in the past considered audit recommendations, but has not been established exclusively for that purpose and in the future may not be able to devote sufficient time to the work of the auditors.

In recognition of these and other problems, in connection with U.N. audits, a consultants' report prepared for the Auditor General of Canada, recommended far-reaching and fundamental changes such as the establishment of an Auditor General for the United Nations with staff drawn from member countries and the Board of Auditors membership expanded to operate as an overseer or committee for the audit operations. We support these recommendations for the reasons stated in chapter 2 of this report.

However, notwithstanding any changes that may be necessary in the organization of the U.N. external audit function, there is a need for U.S. personnel to become more concerned with the work of the auditors. We found that some U.S. officials responsible for U.S. participation in U.N. specialized agencies made no attempt to review and analyze the work and reports of the External Auditors.

Thus, in order to help support the work of the Auditors and to assure that audit findings and recommendations are adequately considered and acted upon, we recommend that the Secretary of State

- stress the need for appropriate U.S. personnel to review all external audit reports in the U.N. system, and to prepare a U.S. position on the report's findings and recommendations; and
- make every effort, through the U.S. delegates to the U.N. organizations to see that appropriate assembly or committee meetings have, as an agenda item, a discussion of the audit reports and that a U.S. position and recommendation for action is put forth at these meetings.

AGENCY COMMENTS

State Department officials informed us that they will insure that their personnel take the necessary action as suggested in our recommendations.

CHAPTER 4

INTERNAL AUDIT UNITS CAN

BE MADE MORE EFFECTIVE

Internal audit units within the U.N. system are responsible for providing management the needed assurances that financial controls are adequate, and that all funds are properly accounted for and expended in accordance with approved procedures and regulations. They also furnish management with analyses, appraisals, and recommendations concerning the activities reviewed. The results of the internal audit units' work are not normally released outside the organization nor made available to member governments.

In reviewing summary reports concerned with the overall work of these units and based on our discussions with responsible personnel, we noted that there has been some progress in making the units more responsive to the needs of management. However, there is still a need for further improvements in the type of reviews performed and the training and number of qualified staff assigned.

U.N. INTERNAL AUDIT UNITS

The U.N. (excluding the specialized agencies) has four separate internal audit units. The Internal Audit Service of the U.N. Secretariat, as the largest, is responsible for all internal audits in the main U.N., except for audits of the U.N. Fund for Population Activities, U.N. Relief and Works Agency, UNDP, and UNICEF. The latter three organizations have their own internal audit units, with audits of the U.N. Population Fund being conducted by the UNDP audit staff. The audit reports and memoranda of the internal auditors are not normally made available to personnel outside of the U.N. Administration except to the Board of Auditors.

Need to change and expand audit approach

A recent report of the Board of Auditors, stated that the potential of the Internal Audit Service (Service) was not sufficiently utilized in monitoring the effectiveness of U.N. financial systems. The Board said the Service was mainly oriented toward examining individual transactions. Because of the high volume and diversity of transactions processed in the U.N., the practicality of such an approach is limited. The Board felt that, while considerable improvements

have been made in recent years, internal audits would be more effective if emphasis were placed on understanding, evaluating, and testing systems of financial management and control, identifying weaknesses, recommending corrective action, and concentrating transaction analysis in those areas where weaknesses were identified. The U.N. Administration agreed with the Board of Auditors.

Need for more and better
trained personnel

There is wide recognition of the need to increase several of the audit staffs and, in at least one unit, to provide more training. Budget constraints, however, are making progress in these areas slow.

For the Internal Audit Service, we noted that the Service needed to be strengthened through the addition of more qualified personnel and training of existing personnel. The Service at the time of our fieldwork had 35 professional staff members, with approximately 15 located in Geneva and 20 in New York.

The U.N. Administration agreed with the Board of Auditors who said that steps had been taken to improve the skills of the Service's staff and to better utilize them through improved planning of work to be done. The Director of the Service stated that efforts have been made to increase training for the audit staff, to upgrade recruiting to ensure the quality of new staff, and to use consultants to improve operations in certain areas, such as electronic data processing.

However, the Director of the Service stated that improvements are hindered by budget constraints. He noted that he would like to send more people to training courses but his requests have been severely cut back, due to austere budget restrictions of the General Assembly. To help alleviate the problem we have agreed to accept, at no cost to the U.N., some of the Service's internal auditors in various audit courses that are provided to our employees.

The Board also stated there are insufficient auditors in the UNDP Internal Audit Unit. The Unit has responsibility for auditing all UNDP activities as well as the U.N. Fund for Population Activities. Although the total expenditures of both activities in 1977 were approximately \$516 million, the Unit in 1979 consisted of only the chief of audit staff and three management auditors.

The Board of Auditors in its 1977 financial report of UNDP emphasized that the Internal Audit Unit was not of sufficient strength to adequately review the substantial amounts of monies involved nor the status of financial management and controls of the organization. Budget constraints have prevented the increase of the internal audit staff, but by 1980 the UNDP plans to hire three more auditors.

UNICEF has a similar problem although their audit service has twice as many (eight) auditors and about one-fourth the budget (\$125 million) of UNDP. The UNICEF Internal Audit Service has concentrated on field office audits with limited coverage of the headquarters system. The Board of Auditors recommended that internal audit scope be expanded to cover all operations, since any review of internal control systems at UNICEF would not be complete without assessing controls at the headquarters level. UNICEF's program budget for 1979 contains recommendations to add three auditors. One of these positions has been filled with the additional two expected next year.

SPECIALIZED AGENCIES' AUDIT UNITS

An examination of reports and documents dealing with the internal audit functions in the specialized agencies included in our review showed that, in each case, additional qualified personnel have been recommended. The personnel are needed for several reasons, such as the expansion of the scope of work (1) to include management aspects, (2) to cope with increased responsibilities and (3) in the case of WMO, to establish a unit since that organization does not have an internal auditor. In some instances action has been taken to obtain the personnel, but again budget constraints have prevented or delayed obtaining all needed personnel.

LIMITED U.S. INTEREST IN INTERNAL AUDITS

U.S. interest in the work of the internal audit group within the U.N. system appears to have been limited. However, in October 1978, the U.S. representative to the Fifth Committee strongly supported the Board of Auditors' work in improving internal audits in the main U.N.

For UNESCO, we learned from discussions with State Department personnel and a review of records and documents that the U.S. has apparently not addressed the subject of UNESCO's internal audits.

With respect to WHO, we noted some U.S. interest. In May 1978, the U.S. representative to the Health Assembly

supported the External Auditor by noting in general terms that the United States was concerned about the reduction in administrative staff (which included audit positions), as it could adversely affect programs.

In a discussion of WMO activities with a responsible individual in the State Department's Bureau of International Organization Affairs, we were informed that he was not familiar with WMO audits, but they are discussed during WMO conferences in Geneva.

In June 1979, a State Department official stated that the U.S. delegate supported the WMO Congress resolution that an internal audit unit be established with existing resources. The use of existing resources is reportedly in accordance with U.S. policy not to support budget increases in the U.N. and specialized agencies.

CONCLUSIONS AND RECOMMENDATION

Efforts to improve the quality and scope of internal audits have primarily been made by the Board of Auditors and the External Auditors of the specialized agencies, in cooperation with the internal audit units.

These efforts have probably resulted in more effective audits, and have also focused on the need for selective increases in qualified staff, better training of staff, and a general recognition that the scope of the internal audits should include less routine examination of transactions and more economy, efficiency, operational, and management reviews.

U.S. representatives to the U.N. and the specialized agencies have only provided limited support to these efforts. The U.S. supported improved internal audits in the main U.N. in a statement by the U.S. representative to the General Assembly's Fifth Committee in October 1978, but for the most part, officials at the State Department responsible for U.S. interests with the specialized agencies had little knowledge of the internal audit units in the agencies and how effective they were.

We, therefore, recommend that the Secretary of State emphasize to his personnel in the Bureau of International Organization Affairs and to U.S. representatives to the U.N. and the specialized agencies the need to become aware of the general scope of internal audit units in the U.N. system and, where appropriate, support efforts at making these units more effective.

CHAPTER 5

EVALUATION--MUCH REMAINS TO BE DONE

For over 10 years, we have been advocating evaluations in the U.N. system. Currently, there is a high degree of interest in improving evaluations in the U.N. and our review of evaluations shows that there is a wide variety of evaluation efforts within the U.N. system. However, these efforts have not yet reached the stage where U.N. decisionmakers can systematically receive valid information about the worth of U.N. activities. Much still remains to be done.

Although we found that officials of the Department of State and its representatives to the U.N. and its specialized agencies have in statements supported improved evaluation systems, some appropriate U.S. State Department personnel are not sufficiently familiar with ongoing evaluation efforts.

WHAT IS EVALUATION?

There is no universally accepted definition of the term evaluation, although various groups and organizations over time have attempted to define it. The Joint Inspection Unit (JIU) in its March 1977 "Report on Evaluation in the United Nations System" concluded that no single definition could be found that would be acceptable to every U.N. agency. However, to encourage movement toward better understanding of the term and to encourage the use of evaluations in the U.N. system, the JIU published a glossary of evaluation terms in November 1978, in which it defined evaluation as

" * * * a learning and action-oriented management tool and process for determining as systematically and objectively as possible the relevance, effectiveness and impact of activities in the light of their objectives, in order to improve both current activities and future planning, programming, and decision-making."

Our report "Status and Issues: Federal Program Evaluation" (PAD-78-83, October 1978), we stated that it is difficult to define evaluation because no universally accepted definition of program evaluation exists. However, we believe that several program evaluation criteria can be used by program managers and policymakers to improve their performance. Specifically, policy and management personnel should appraise the manner and extent to which programs

--achieve their stated objectives;

--meet their performance perceptions and expectations of responsible public officials, interested groups, and/or the public; and

--produce other significant effects of either desirable or undesirable character.

EVALUATIONS BY THE JOINT INSPECTION UNIT

The JIU, as one of its functions, has responsibility to assist and to perform evaluations in the organizations of the U.N. system. The JIU consists of 11 inspectors and a small supporting staff.

The evaluative work is primarily performed by the inspectors from the United States and France. These inspectors are, however, assisting other inspectors to become familiar in this area, and the goal is to increase the JIU's evaluation efforts to about 60 percent of their total activities. The estimated cost of all the JIU's work for the last 2 years is \$2.6 million.

For many years it has been widely recognized that there is a need for the evaluation of operational activities of the U.N. system and the need to make evaluation reports available to member governments. We have emphasized this need in many of our reports, and have recommended many times that an independent U.N.-wide review and evaluation unit of appropriate size and competence be established to evaluate U.N. programs and activities. In order to maintain its independence, we noted that the unit must have an external source of financing and not be dependent for funds on the good will of the organizations that it evaluates. We also noted that the various internal review groups were not sufficient and, consequently, the external unit should be the reviewer of the adequacy of the internal efforts. The Congress, in enacting subsection 301(e) of the Foreign Assistance Act in 1973, (22 U.S.C. 2221 (e)), emphasized this need in calling for the President to seek the establishment of a single professionally qualified group to independently evaluate the activities of the U.N. and its affiliated organizations.

We have assisted the Department of State in this effort by giving them a set of auditing and reporting standards to guide them in establishing these new groups or organizations. The Department of State submitted the Comptroller General's "Statement on Auditing and Reporting Standards" to the Working

Group on the United Nations Program and Budget Machinery in May 1975. However, rather than trying to establish a new U.N. body to meet evaluation needs, State decided to seek strengthening of the JIU as the vehicle for implementing our past recommendations and the provisions of the Foreign Assistance Act of 1973. In 1975 and 1976, various proposals to improve external evaluation procedures and machinery were discussed by U.N. working groups and committees. Acting on recommendations by one such group, the General Assembly in December 1976 established the JIU on a permanent basis--effective January 1, 1978--and made it a subsidiary organization of the General Assembly. It was also requested that legislative bodies of the international organizations accept the JIU statute in a like manner. The General Assembly also endorsed the principle of using part of the JIU's resources exclusively for evaluation functions.

The Administration regards the JIU as the independent evaluation unit in the United Nations that the Congress sought to have established. On August 28, 1979, the President, as required by subsection 301(e), transmitted copies of the reports issued by the JIU during 1978 to the Comptroller General.

Although the United Nations did not provide for the complete independence of the JIU we called for, we believe, as noted in our report of 1977, "U.S. Participation in International Organizations," that the steps taken to strengthen and expand the role of the JIU should help in improving the efficiency and economy of U.N. operations. This will permit a greater portion of the available funds to be applied directly to program objectives and, consequently, will enhance the attainment of other objectives.

The JIU with its limited staff, however, cannot evaluate all U.N. systems programs nor is it intended for it to do so. Each organization must have its own internal evaluation system. Our review, however, has shown that many evaluation systems are new and do not have sufficient resources to carry out evaluative programs. Evaluations have not yet reached the stage where U.N. decisionmakers can systematically receive valid information about the effectiveness of U.N. activities.

As of early 1979, the JIU had issued two reports on the status of evaluations in the U.N.: a "Report on Evaluation in the U.N. System," issued March 1977, and a "Report on Programming and Evaluation in the U.N.," issued March 1978. They have also evaluated one program, "Report on the United Nations' Public Administration and Finance Programme," issued in March 1978, and have prepared a "Glossary of Evaluation Terms" in

November 1978, and "Initial Guidelines for Internal Evaluation Systems of United Nations Organizations" in February 1979.

The JIU's first report concluded that, with few exceptions, there is very little evaluation being done by U.N. organizations that would meet any common principles or guidelines. The report advocates a gradual introduction of evaluation in the U.N., with resources made available from existing related activities, such as program planning, information, and reporting systems. This report also shows the status or effectiveness of evaluations in the specialized agencies. In 1980 the JIU plans to update this report by reporting on the progress being made by the organizations in implementing their evaluation systems.

In the second report, JIU stated that the current level of evaluation achieved through evaluation methods in use in the U.N. was not very high. They were encouraged, however, by the Administrative Committee on Coordination (ACC) and the Committee on Programming and Coordination (CPC) approval of certain evaluation concepts, in particular, the use of achievement indicators and consideration of the clientele when making evaluations. This report concluded that progress is possible but that a long task lies ahead.

The JIU's "Report on the United Nations Public Administration and Finance Programme," was the Unit's first program evaluation. This report attempted to evaluate the program's impact but found this to be very difficult for various reasons. It did conclude, however, that the rate of implementation of the program was inadequate.

The glossary of evaluation terms was formulated as a result of a recommendation made in the 1977 report and was further endorsed by the ACC. The purpose of the glossary is to encourage movement toward common understanding of evaluations in the U.N. system. It is based on consultations and discussions with U.N. organizations during both 1977 and 1978 and on definitional work done in the U.N. system in the past. JIU recommended that the glossary be reviewed by the ACC and adopted as the general framework for evaluation-related terms for use by the U.N. system. At the time of our review, according to a U.N. official, the various U.N. agencies were commenting on this glossary.

The "Guidelines," according to the inspectors, were based on experience and consultations with the organizations. They provide an initial common framework of principles and choices to assist U.N. organizations in developing and improving internal evaluations.

In 1979, a JIU inspector expressed the opinion that improvements in evaluations in the U.N. system have taken place in the last few years, but much more needs to be done.

THE U.N. AND ITS RELATED OR SUBSIDIARY BODIES

The General Assembly, in 1976, adopted a resolution which instructed the CPC to review in depth, on a selective basis, major programs and recommend any necessary amendments and to determine which programs and subprograms are obsolete, of marginal usefulness or ineffective, and to recommend, as appropriate, their curtailment or termination. As a result, in 1977, the first series of evaluation reports were submitted to the CPC. These covered four major programs: transport, public information, human settlements, and environment. The second series of evaluation reports, submitted to the CPC in 1978, considered ocean economics and technology, and social development and humanitarian affairs.

These internal evaluations have been criticized by groups within the U.N. including the CPC itself. In reviewing the first series of evaluation reports, the CPC stated that the description of program impact within the evaluations was poor. For example, they felt that the quantity and quality of data in the report on the public information program did not provide them with adequate information to reach conclusions about future program priorities.

To improve evaluations, the Program Planning and Coordination Unit was established in December 1977 within the Department of International Economic and Social Affairs. It is directed by an Assistant Secretary-General. As one of its functions it will attempt to supervise the internal evaluation process and will also perform external evaluations, on a rotating basis, of all the U.N. programs. The Assistant Secretary-General believes this system will greatly improve the quality of evaluations within the Secretariat.

The Program Planning and Coordination Unit, at the time of our fieldwork, however, had not been staffed to perform its evaluation activities. Using borrowed staff, the group thus far has only supervised one internal evaluation activity.

UNICEF evaluations

UNICEF has viewed evaluation as an important activity within the programming process. They regard it as a major means of finding out more about the needs of children, providing accurate and reliable base-line data for use in designing projects, and determining the degree to which projects

are successful in achieving their objectives. In January 1976, a Program Analysis and Evaluation Office was established to provide backup support to field offices. The Chief of this office stated that it currently has four permanent staff members. Their responsibilities include developing evaluation methodologies, training field staffs, and participating in policy evaluations. He also said that project evaluations are done in-country whenever possible by persons within the country or with assistance from UNICEF's network of field offices. These evaluations are not made available to member states.

Another aspect of UNICEF's evaluation activities has been global assessment of UNICEF program policy. The purpose of these appraisals has been to help determine program directions, priorities, and desirable changes in policy. Approximately two or three of these appraisals are prepared yearly and are available to all member states.

The Chief stated that they plan to work closely with UNICEF's regional staffs in program formulation to attempt to build mechanisms into the programs which will enable them to measure impact. Thus far, this has been very difficult to accomplish, and consequently their activities have concentrated on determining program results. To improve evaluations, the Chief stated that they are attempting to make all regional staffs knowledgeable in the evaluation field so that they can assist countries in the development of evaluation expertise.

UNDP evaluations

The UNDP Coordinator for Program Evaluation stated that there are two levels of evaluation within UNDP projects and programs. Evaluation of individual projects has been a regular activity in UNDP. Program evaluation, however, was introduced in 1975 in response to the Governing Council's concern for improving effectiveness of UNDP-financed technical cooperation.

The UNDP has defined project evaluation as the critical examination of an ongoing or completed project's design, experience, results, and actual or potential effectiveness. The responsibility for project evaluation is jointly exercised by the three partners involved in a project: the governments, the executing agencies, and UNDP.

A UNDP official stated that the UNDP had an evaluation division during the period 1967 to 1973 which conducted project evaluations. In 1973, this group was discontinued and tripartite evaluations as described above were initiated. Under this system, all large projects are supposed to be evaluated at least once a year. However, the UNDP official stated that individual project evaluations are done on an ad hoc basis and are not systematic, and there is no central control to insure that they are done.

Program evaluation goes beyond country-specific experiences and deals with projects in groups on selected areas. The goal of program evaluation is to obtain a comparative analysis of common causes of successes and failures, of trends in technical cooperation, and of the efficiency of the process of programming and implementation. Program evaluations are carried out under the direction of a Coordinator for Program Evaluation, and several bureaus. No permanent staff has been assigned to conduct evaluations, although the coordinator is assisted by about 17 UNDP technical advisors that participate in teams along with personnel from the regional bureaus, the executing agency and consultant groups. In 1979, the UNDP allocated \$175,000 for these evaluations with additional financial resources being provided by the executing agencies.

In early 1978, the UNDP Administrator issued three interim summary reports on program evaluations: "Technical Cooperation in the Textile Industry," "Technical Cooperation in Development Planning," and "Technical Cooperation and Rural Development." The first two reports were issued early in March 1979, with the latter in its final stages of completion, during our fieldwork. In mid-1978, the Governing Council discussed the reports. A number of members indicated the textile study was weak in that the study was neither major in scope nor specific enough. The development planning study, the members felt, contained a clear analysis and a clear set of recommendations. With respect to the rural development study, there were mixed feelings on its value; one member pointed out that it contained important conclusions, while another felt the report contained recommendations which were not within the jurisdiction of the Council.

SPECIALIZED AGENCIES

With regard to the specialized agencies we reviewed, each has a different approach and method for evaluating their programs.

UNESCO

In 1977 the JIU concluded that, although UNESCO was engaged in various evaluation activities, its operational structures for evaluation had not taken on a centralized, coordinated shape. Furthermore, the JIU stated that there was no common understanding among the organization's top managers as to what evaluation encompassed or how it should be implemented. Our review has shown that some improvements have been made, but the situation has not materially changed since 1977. Some of UNESCO's evaluation efforts are as follows.

Bureau of Studies and Programing

The Bureau, as one of its functions, has responsibility for evaluation and assessment of program impact and results. It was not until July 1978, however, that the Bureau hired a chief evaluator to devote full time to establishing an evaluation system. Even so, in December 1978, he informed us that not much progress had been made in implementing the agency evaluation system due to the time consumed in preparing for the General Conference. The Chief Evaluator said he hoped to develop an evaluation model that could be universally applied and planned to instruct agency managers on evaluative techniques. He said that he had developed specific guidelines which strongly recommend the use of quantitative terms, but he believes the real test will come when sector managers have to use the guidelines to evaluate programs.

External evaluations

Over the years, the External Auditor has commented in his reports on the weakness in evaluation of projects executed by UNESCO but financed by the UNDP. He has not generally commented on evaluations of regular UNESCO programs.

For instance, in his 1978 report for the year 1977, the External Auditor made detailed comments on the monitoring and evaluation of UNDP projects. He noted that UNESCO conducts no systematic evaluation of completed projects, and that there is a need for a regular followup on projects after their completion to evaluate their effectiveness in achieving development objectives.

Impact shortfall statement

The Director-General's statement of major impacts, achievements, difficulties, and shortfalls for each continuing

activity covers the first 18 months of a biennium and is submitted to the Executive Board and General Conference for their consideration in deliberating the following 2-year program and budget. The statement has considerable potential as an evaluation tool. However, its effectiveness depends on (1) the clarity and specificity of the underlying goals, statements and indicators used to measure program results or progress, and (2) the degree of frank and unbiased expression in the analyses.

We found that ambiguity in the planning and programming documents made it extremely difficult to conduct meaningful analysis. Also, since the planning and evaluation functions were performed by the same office, we question the validity of the assessments. Secretariat officials acknowledged that problems existed but claim that the establishment of evaluation machinery inevitably has to be gradual.

FAO

The Evaluation Service is the primary organization in FAO responsible for internal evaluations. Also, various types of ad hoc evaluations are conducted in-house or by outside consultants.

In reviewing developments in evaluations since our May 1977 report on FAO, we found that FAO has committed itself to expand the type of activities subject to evaluation, but that the limited resources allocated may prevent full implementation.

Evaluation Service

The Evaluation Service was established in 1968 as FAO's formal internal review and evaluation mechanism. For the years 1978 and 1979, \$807,000 was allocated to the Service; \$543,000 for evaluation of regular programs and \$264,000 for extra budgeting programs, like those projects financed by the UNDP. The Service's primary output is its periodically issued "Review of Field Programs" which was first released in its biennial format in 1973.

In our May 1977 report, we noted that the Evaluation Service concentrated most of its efforts on reviewing field programs, but the Council accepted an extension of the Service's work into regular program activities. FAO's Conference, according to the State Department, will have its first opportunity to examine evaluation for both the regular and field programs in 1979.

In 1978 the Evaluation Service was transferred from the Development Department to the Office of Program, Budget and Evaluation. This change in the Evaluation Service's organizational relationship made it a component of the Office of Director-General. The change in the Evaluation Service's location, however, does not overcome its small size--a staff of 8--a major problem which impeded its past performance and might hinder its future handling of additional responsibilities. In our 1977 report we stated that it was virtually impossible for the Service's then-present staff to evaluate all projects. Since then one staff member has been added, but we doubt this will be sufficient for the Service to adequately take on its additional responsibility of evaluating the regular programs. Similar concern has been expressed by the State Department.

External evaluations

In reviewing the External Auditor's reports on UNDP financed projects, we noted that he has done some work in the area of evaluations. For instance in his 1977 report (for the year 1976), he stated that the evaluation reports examined by his staff indicated how the formulation, execution, and monitoring of projects, where certain failures had occurred could be improved. He stated that in the past a number of projects have been approved with objectives which were over-ambitious in relation to the period of time allowed for their completion and to the probable ability of recipient governments to fulfill their part in the project to a reasonably adequate standard.

Ad hoc evaluations

Another method of evaluation is the issuance of reports on specific programs on an ad hoc basis. For example, the FAO Director-General proposed an evaluation of the first phase of the Technical Cooperation Program. This program for the budget years 1978 and 1979 amounted to about \$26 million or 13 percent of FAO's assessed budget.

A study of the program was carried out by a former UNDP representative who in his report of 1978 gave a very positive evaluation of the program with only minor criticisms in a few areas. This favorable report, according to the State Department, will probably help the Director-General in his efforts to expand the program.

WHO

Evaluations in WHO are generally based on a continuous review of programs during execution. There is no central evaluation unit; instead, operational units at country, regional and headquarters level become directly involved in evaluations. Ad hoc evaluations are performed by the Executive Board's Programme Committee.

In reviewing progress made since our review in May 1977, we noted that evaluation guidelines were approved in November 1977, and a computerized information system in support of evaluations became effective in January 1978. The State Department feels that the information system offers a promising approach to evaluations, but has not yet determined the effectiveness of the system.

Information system

In our May 1977 report, we described the new information system that was to be introduced in support of evaluations. Under the system, we noted that resulting reports will focus on progress being made in implementing activities and assess the effect of these activities on attaining the objectives of the program area concerned. The new system is to be used to evaluate the sixth general program of work (1978-83).

In our report we expressed some reservations about the system, particularly how it would affect planners in making changes in program design and execution. We recommended, however, that the Secretary of State through his delegates work to obtain for all members the most complete dissemination possible of program information and evaluation results.

In 1978, at Geneva we discussed with a U.S. representative to WHO the new information system in support of evaluations. He noted that the new information and evaluation system is operational, and is being applied to selected programs. In January 1979, a U.S. delegate to the Executive Board stated that he feels the new system is very useful. He noted that during the Board's meeting that month, members were afforded the opportunity to use the new computerized system, but at the time he did not avail himself of the opportunity.

WMO

The Organization has no overall comprehensive program for evaluations. Formal internal evaluations are limited to projects financed by the UNDP and those related to the UNDP projects. Other activities are evaluated by the

Secretariat, by the Executive Committee during its annual meetings, and to some extent by its Congress which meets every 4 years. External evaluations have apparently been limited to those performed by the Joint Inspection Unit.

STATE DEPARTMENT
SUPPORT OF EVALUATIONS

The State Department on an overall basis has supported the need for improved evaluations. We believe, however, there is a need for some of its personnel to become more familiar with specific programs, and to take a more active interest in seeing that evaluation efforts are improved in the U.N. system.

The State Department's general support for evaluations is illustrated by its efforts to establish an independent evaluation unit in the United Nations and by the following statements made by U.S. representatives to the United Nations.

In 1974, a U.S. Representative to the Economic and Social Council made a statement to the Program Coordination Committee on the "Need For a U.N. System-Wide Evaluation Mechanism." He stressed that an expanded and reoriented U.N. system evaluation capability is essential to the Council, as well as to the respective governing bodies of the system, in shaping programs and setting priorities.

In 1976, the U.S. representative to the Fifth Committee made extensive comments on evaluations in supporting the continuation of the JIU. He noted that:

" * * * The United States is particularly interested in the question of external evaluations and in the JIU assuming a broader mandate in this function in the future.

" * * * The full establishment of the external evaluation process that we are suggesting would not substitute for the necessary internal evaluation responsibilities of the executive heads of the various U.N. organizations. However, we believe external evaluations could assist in improving their internal procedures by conducting comparative studies throughout the system."

Two years later, in 1978, we noted that the U.S. representative to the Fifth Committee made a general statement in support of improved evaluations by stating that continuing

efforts must be expanded by all member nations to improve financial management and control, including evaluation of program performance.

Specialized agencies

State Department personnel concerned with the specialized agencies have supported evaluative efforts, but in some instances we found there is a need for U.S. personnel to become familiar with specific evaluative efforts.

For example, the State Department official primarily responsible for U.S. interests in FAO stated that, in the 8 months he had been working on FAO affairs, he had not gotten a very strong impression of what FAO's Evaluation Service has been doing. He said that he did not know the Service's functions, what happened to its reports, or what effects the transfer of the Service to the Office of the Director-General has on improving evaluation. He further said, however, that he planned to request the U.S. Mission in Rome to provide a report on FAO evaluations. The Mission will be asked to comment on the present system, suggest improvements (short of additional funds), and assess FAO's willingness to accept improvements in evaluation. However, as of the end of our fieldwork, the request had not been made to the Mission.

CONCLUSIONS AND RECOMMENDATION

As we have seen there are a number of different evaluation efforts carried out within the U.N. system, and evaluations are widely discussed and advocated. Even though the JIU has been established as an independent evaluation unit, evaluations have not yet reached the stage where U.N. decision-makers can systematically receive valid information about the effectiveness of U.N. activities. Evaluation efforts must be improved and increased so that responsible personnel and member governments can properly decide which programs and projects are meeting their objectives, and which should be continued, expanded, or terminated. Also for U.S. efforts to be meaningful, we believe all appropriate U.S. personnel concerned with evaluation efforts in the U.N. system need to become more knowledgeable about evaluation systems and efforts in each organization of the U.N. system.

Therefore to improve evaluations we recommend that the Secretary of State working through his representatives in the U.N. system and in conjunction with other member government representatives should continue to actively support effective evaluation methods and procedures in each organization of the U.N. system.

BRIEF DESCRIPTION OF SPECIALIZED
AGENCIES INCLUDED IN OUR REVIEW

UNESCO

The organization's basic aim is to stimulate progress in education, science, culture, and communications. It is located in Paris, France. For the biennial 1977 and 1978 its regular budget was about \$224 million, and its extra-budgetary funds received from the UNDP and other sources amounted to about \$144 million.

Its governing body, the General Conference, meets biennially to decide policy and the program for the Organization, and its Executive Board, which meets at least three times a year, is responsible for carrying out the programs.

FAO

The organization's basic purpose is to raise levels of nutrition and standards of living, to secure improvements in the production and distribution of all food and agricultural products, and to better the condition of rural populations. It is located in Rome, Italy. For the biennial 1978 and 1979 its regular budget was about \$211 million, and its extra-budgetary funds received from the UNDP and other sources amounted to about \$493 million.

Its main governing body is called the General Conference and meets biennially. In the interim FAO is governed by a 49 member Council.

WHO

The organization coordinates health actions on a global basis. A particular concern of the organization is to make health care available to rural and poor urban-fringe populations. It is located in Geneva, Switzerland. Its regular budget for 1978 was about \$171 million and its extra-budgetary funds amounted to about \$162 million.

WHO's policymaking body is the World Health Assembly, which meets annually. Between its sessions the Assembly is represented by a 30 member Executive Board.

WMO

The organization's purpose is to facilitate international cooperation with a view to coordinating, standardizing and improving world meteorological and operational hydrological

activities and to encourage international information exchange of weather-related data. It is located in Geneva, Switzerland. Its regular budget for the years 1976 to 1979 was about \$45 million and in the past its extra-budgetary resources have somewhat exceeded those of the regular budget.

Its governing body, the Congress, meets at least every 4 years, and in the interim WMO is controlled by an Executive Committee composed of 24 directors.

ORGANIZATIONS WITHIN THE U.N. SYSTEMHAVING AUDITING AND EVALUATION RESPONSIBILITIESEXTERNAL AUDITING

The United Nations Board of Auditors was created by the General Assembly and is responsible for auditing the U.N. and its related or subsidiary bodies, but not the specialized agencies. Their audits were primarily financial and consisted of transaction-type reviews until 1976 when the Board introduced a systems audit approach. In systems audit, tests of accounting records and transactions are still necessary, but the nature, extent, and timing of these tests are planned largely on the effectiveness, integrity and reliability of the accounting and financial system being audited.

The audit reports of the Board, issued as a result of their work, are primarily reviewed by the Advisory Committee on Administrative and Budgetary Questions (Advisory Committee) and the General Assembly's Fifth Committee and are made available to member governments.

Advisory Committee--The Committee, a subsidiary organization of the General Assembly, is composed of representatives from 16 member countries. There are no permanent members, but a representative from the United States is currently represented on the Committee. Members are elected as individuals and experts in their field and serve for 3 years. The primary function of the Committee is to facilitate the consideration by the General Assembly and its Fifth Committee of administrative and budgetary questions. In this regard, the Advisory Committee comments on and makes recommendations to the Fifth Committee on the reports of the Board of Auditors. The Advisory Committee normally holds three sessions each year, two at headquarters and one at Geneva, for a total duration of 26 weeks.

Fifth Committee--As one of the seven main committees of the General Assembly, the Fifth Committee deals with administrative and budgetary questions. Each member state, may be represented on the Committee. Using the data from the Advisory Committee and from its own evaluations, the Fifth Committee prepares resolutions which it presents at a plenary session of the General Assembly for adoption. In October 1978, the Fifth Committee, (which included

the United States) had extensive discussions of the Board of Auditor's recommendations.

The governing bodies of the specialized agencies appoint their own external auditors except in two instances where the Swiss Government has been designated by the organizations' charters or regulations. External Auditors are generally high audit officials of a member state. They serve in this capacity for a renewable or indefinite period, depending upon the organization involved. Audit reports include information on financial and some discuss management activities and evaluations of program effectiveness, and they are available to all member states.

INTERNAL AUDITING

The U.N. Internal Audit Service, which reports to the Secretary General through the Under Secretary General for Administration and Management, audits U.N. and subsidiary, but not specialized, agencies' accounts, except for the UNDP, UNICEF, U.N. Relief and Works Agency for Palestine Refugees in the Near East, and the U.N. Fund for Population Activities. These organizations are reviewed by separate audit units. Audit reports are not made available to member states but are provided to the Board of Auditors.

All of the four specialized agencies we reviewed, except WMO, have internal audit groups. These internal audit groups review the financial aspects of the organizations' regular program and of extra-budgetary programs like those financed by UNDP. These reports are not available to member states but are provided to the External Auditors upon request.

EVALUATIONS

Various committees and organizations, CPC and the Program Planning and Coordination Unit, are involved in evaluations. Three of the specialized agencies we examined have groups or units to evaluate programs; WMO does not have such an evaluation mechanism. Also, the JIU has been established as an independent evaluation unit and performs external evaluations throughout the U.N. system.

CPC

The CPC is composed of 21 members including the United States and is a subsidiary body of the Economic and Social Council and the General Assembly. At its 31st session in 1976, the General Assembly instructed the CPC to:

--review in depth, on a selective basis, the major programs of the U.N. and recommend any necessary amendments to the Council and the General Assembly, and

--determine which programs, subprograms or program elements are obsolete, of marginal usefulness, or ineffective, and to recommend their curtailment or termination.

The General Assembly also requested the CPC in conjunction with the JIU to develop better evaluation methods to guide decisionmaking. In 1978, the CPC held extensive discussion on the internal evaluations that were undertaken and the work of the JIU in the area of evaluation.

Program Planning and Coordination Unit

The Program Planning and Coordination Unit was established in late 1977, within the Secretariat's Department of International Economic and Social Affairs. It is headed by an Assistant-Secretary General and one of its functions is to supervise internal program evaluations and perform external evaluations, on a rotating basis, of all U.N. programs. As of our review, the Unit had not obtained any permanent staff.

JIU

The JIU was created on an experimental basis in 1966 and given permanent status effective January 1978. The JIU is composed of 11 inspectors who are appointed by the General Assembly, and 9 professional support staff. The inspectors have the broadest powers of investigation in all matters having a bearing on the efficiency of the services and proper use of funds in the U.N., its subsidiary bodies, and most specialized agencies. They can make on the spot inquiries and investigations without prior notice. The JIU has been established as the independent evaluation unit encouraged by the Congress in its 1973 amendment to the Foreign Assistance Act. Currently, up to 40 percent of the JIU's work is concerned with the area of evaluations. This includes assisting organizations to set up and improve internal evaluation mechanisms.

The JIU reports are provided to the Secretariats, governing bodies and external auditors of the organizations involved, and are generally made available to member governments.

ACC

The ACC supervises the implementation of the agreements between the U.N. and the specialized agencies and ensures that the activities of the various bodies are fully coordinated.

The ACC is composed of the Secretary General and the executive heads of the specialized agencies and the International Atomic Energy Agency.

The ACC also reviews and comments on the proposed budget of the JIU and reviews and coordinates comments on the JIU reports when more than one agency is involved.

PRIOR GAO REPORTS CONTAINING INFORMATION ON
AUDITS AND EVALUATIONS IN THE UNITED NATIONS SYSTEM

U.S. Participation in the World Health Organization	B-164031(2)	Jan. 9, 1969
U.S. Financial Participation in the United Nations Children's Fund	B-166780	July 8, 1969
U.S. Financial Participation in the Food and Agriculture Organization of the United Nations	B-167598	Nov. 17, 1969
Management Improvements Needed in U.S. Financial Participation in the United Nations Development Program	B-168767	Mar. 18, 1970
Report of Audit of Adlai E. Stevenson Memorial Fellowship Program Administered by United Nations Institute for Training and Research (UNITAR)	B-165161	Sept. 14, 1970
Comments and Suggestions for Independent Review and Evaluation of International Organizations and Institutions	B-161470	Dec. 4, 1970
U.S. Participation in the International Labor Organization Not Effectively Managed	B-168767	Dec. 22, 1970
Numerous Improvements Still Needed in Managing U.S. Participation in International Organizations	B-168767	July 18, 1974
Actions Recommended to Alleviate Serious Financial Problems Facing United Nations	B-168767	Aug. 2, 1974

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Statement of Auditing and Reporting Standards for the United Nations	ID-75-60	Apr. 22, 1975
Actions Required to Improve Management of United Nations Development Assistance Activities	ID-75-73	July 3, 1975
Progress Toward Establishment of Independent Review Systems in International Organizations	ID-76-3	July 30, 1975
Need for U.S. Objectives in the International Labor Organization	ID-77-12	May 16, 1977
The United States Should Play a Greater Role in the Food and Agriculture Organization of the United Nations	ID-77-13	May 16, 1977
U.S. Participation in the World Health Organization Still Needs Improvement	ID-77-15	May 16, 1977
The World Food Program--How the U.S. Can Help Improve It	ID-77-16	May 16, 1977
U.S. Participation in International Organizations	ID-77-36	June 24, 1977
U.S. Participation in International Organizations: An Update	ID-79-26	Aug. 10, 1979

APPENDIX III

PANEL OF EXTERNAL AUDITORS

The Panel of External Auditors was established by the General Assembly in 1949. The purpose of the Panel is to coordinate audit efforts among Panel members and to be the forum for exchanging information on methods and findings. It is also attempting to standardize financial regulations throughout the U.N. system. The Panel is composed of the three members of the U.N. Board of Auditors and the appointed External Auditors of the specialized agencies and the International Atomic Energy Agency. They are as follows.

MEMBERSORGANIZATIONS AUDITEDUnited Nations Board of Auditors

Mr. Ahenkora Osei
Auditor General of Ghana

Mr. James J. Macdonell
Auditor General of Canada

Mr. Osman Ghani Khan
Auditor General of Bangladesh

United Nations UNDP,
U.N. Fund for Population
Activities,
U.N. Relief and Works
Agency,
U.N. Environment Program,
UNICEF, U.N. High
Commissioner for
Refugees,
U.N. Institute for
Training and Research,
the U.N. University, and
U.N. Staff Pension Fund

External Auditors

Sir Douglas Henley, Comptroller
and Auditor General of the
United Kingdom

Inter-Governmental
Maritime Consultative
Organization,
General Agreement on
Tariffs and Trade,
International Labor
Organization,
Pan American Health
Organization,
FAO, UNESCO, WMO, and WHO

Mr. Werner Frei, Deputy Director,
Federal Audit Office of the
Swiss Confederation

International Telecom-
munication Union,
Universal Postal Union,
and the World Intellectual
Property Organization

Dr. H. Peschar, President of the
General Chamber of Audit of
The Netherlands

International Atomic
Energy Agency

Mr. James J. Macdonell
Auditor General of Canada

International Civil
Aviation Organization

The Panel pointed out as early as 1967 that most External Auditors of the U.N. system have the authority to make observations not only on financial but also on administrative and management matters. However, the extent to which this authority is exercised depends upon the External Auditor and the wishes of the governing bodies involved.