



**PERMANENT MISSION OF SINGAPORE
TO THE UNITED NATIONS**

231 EAST 51ST STREET, NEW YORK, NY 10022
TEL: (212) 826 0840 FAX: (212) 826 2964

**RESPONSES BY THE DELEGATION OF SINGAPORE TO THE
SECRETARIAT'S RESPONSES DATED 1 JUNE 2006
ON THE REPORT OF THE OFFICE OF INTERNAL OVERSIGHT SERVICES
ON THE COMPREHENSIVE MANAGEMENT AUDIT
OF THE DEPARTMENT OF PEACEKEEPING OPERATIONS,
(A/60/717), FIFTH COMMITTEE, 12 JUNE 2006.**

1 I would like to thank the Secretariat (Dept of Management and the OIOS) for their responses in the handouts dated 1 Jun 2006. My delegation has a number of comments to make on these responses, but I will do so later. What I need to do first is to bring a very troubling development to everyone's attention.

2 It looks like a Procurement Officer among the 8 staff placed on administrative leave has been mistakenly "accused" or at the very least falsely identified. In its report AP/2005/20, OIOS alleged that this officer was involved in five contract awards to the vendor TCIL, while in UNHQ. However, the officer was actually posted overseas when the awards were given! He could not possibly have been involved in awarding the contracts! Even more troubling, the Principal Auditor in Charge and the Section Chief seem to have been aware that the procurement officer was not in UNHQ at the time, and that the allegations were incorrect. It gets worse. The same officer was also alleged in the OIOS report to be involved in an improper bidding exercise in UNHQ. However, the bidding took place in UNHQ three months before the officer took office! As we think it doubtful that the officer was in two places at once, we can only conclude that the allegations in the OIOS report were rather large mistakes. Even more alarming, the OIOS has not taken steps to correct these mistakes even after they were pointed out. This would be comical if it was not so tragic.

3 These examples raise serious doubts and questions about the quality and credibility of the OIOS report. These are not minor lapses or mistakes that we are pointing out. These are fundamental errors. This clearly shakes our confidence in the allegations and findings in the report. We think OIOS has some explaining to do.

Addendum 2

4 **Moving on to the handouts dated 1 Jun 2006, on Question 2**, we note that the Secretariat has taken action on some of the recommendations of the Deloitte Report that were termed "immediate". If the recommendations were important enough to be termed "immediate" why were they not referred to the 5th Comm as a matter of priority? It would appear that the Secretariat is now seeking the endorsement of the 5th Comm for its actions "after the fact".

5 **On Question 5**, The Secretariat has not addressed the question. While we note that all actions are carried out on behalf of the Sec-Gen, we would like to know which senior Secretariat official actually commissioned the Deloitte study on behalf of the Sec-Gen. This is a question of accountability. It is insufficient to simply state that all actions are taken under the authority of the Sec-Gen. Therefore, the Secretariat should come clean and inform us who had specifically commissioned the Deloitte and Touche study on Procurement which was carried out from Oct to Nov 2005 at the cost of approximately US\$500, 000.

6 **On Question 6**, there is an attempt by the Secretariat to link the case of the 8 staff with that of the Volcker Report. The linkage is tenuous. The pages cited from the Volcker Report pertain to transactions under the auspices of the Security Council and the High Level Steering Committee. The Procurement Division carried out only a few OFF purchases on behalf of DESA in the mid 1990s. Most of the purchases thereafter were conducted by UNDP and UNOPS. For example on the appointment of Saybolt, the Volcker report stated that it was done with the "acquiescence of the Steering Committee" (**pg 109 of interim report**). On the appointment of Lloyds, the same report stated that the Steering Committee "prejudiced and pre-empted the competitive process" (**pg 109 of interim report**). The Volcker report also clearly stated that the selection of BNP was carried out by the then Controller, Mr. Takasu, not the Procurement Division. **On Page 18**, the report mentioned that the selection was made "accommodating the concern of the United States about the selection of a Swiss bank" and that "decision makers are influenced by a need to reconcile political concerns of some member states." **On Page 110** of the Interim report of 3 February, the Volcker panel stated that "Formal financial regulations and rules set out by procurement officials were repeatedly and knowingly short-circuited and violated without a clear and written rationale." UN Procurement Officials can hardly be blamed when they were acting under the direction of a high level Steering Committee. The selective use of the Volcker report out of context by OIOS is therefore facetious.

7 The Secretariat had also referred to the Yakovlev case. It should be borne in mind that Yakovlev was not investigated as a result of the Volcker report. In fact, the Interim report contained a glowing account of his performance. The Procurement Service found out about his son's internship with a vendor in July 2005. The ASG/OCSS informed the Chef de Cabinet, the USG/DM and OIOS of the matter even before Fox News broke the story. The investigations followed this revelation. We would hope that the points highlighted above would put things in its proper perspective. We therefore urge the OIOS and the Secretariat to check its information. Incorrect and misleading information is not helpful to the process.

8 **On Question 9**, responsibility was clearly assigned de facto. The fact is that a senior official in OCSS was taken to task, while senior officials in DPKO were not, even though they had oversight responsibility for procurement activities. Your remark that "no one has been blamed or disciplined" may be true in the technical sense that no charges have been

filed, but this statement fails the test of reality and common sense. By virtue of selecting 8 staff members for administrative action, you are in reality attributing suspicion of wrongdoing upon them. If this were not the case, then why place only these 8 on administrative leave? Each passing week reinforces this perception and further tarnishes the reputations of these individuals. This has been aggravated by the comments of the USGDM to the media suggesting that corruption is pervasive at the UN. To add salt to the wound, the names of the 8 staff were listed in the draft report which was leaked to the press.

9 In addition, we understand that the draft OIOS report dated 30 December mentioned that the ASG/OCSS had not recorded negotiations on Letters of Assist. This was a blatant mistake. The OIOS was not even aware of the fact that LOAs are exclusively negotiated by DPKO without the involvement of OCSS.

10 **On Question 10 (a)**, we would like to make the observation that both DM and member states were responsible for the understaffing of the UNPS. As can be deduced from the table provided by the Secretariat, the approval rate was dismal. There was only a 12% to 20% approval rate for staff increases requested by the UNPS. There should have been more support for UNPS. However, the question also arises as to why the audit observation was written in such a way as to pin the blame on Procurement Service for the lack of staff? **On 10 (b)**, the Secretariat has not answered the question. Is the Secretariat suggesting that the BOA and OIOS do not have the competence to carry out the type of study assigned to Deloitte and Touche? If so, why not? Does this mean that such studies will now be the preserve of external consultants? If we are not mistaken, member states traditionally base their assessment of oversight issues on the findings of the BOA and OIOS. However, it seems that "independent studies" are now playing that role. Will "independent" studies commissioned by senior officials of the Secretariat now be used to challenge the findings of the OIOS and the BOA? What does this mean for the role of the BOA and OIOS? The fact that that we have the Secretariat commissioning audit investigations on matters under their overall purview and responsibility also raises serious conflict of interests issues.

11 **On Question 11 and 15**, the Secretariat's response suggests that the Deloitte Report is the basis for the comprehensive procurement report to be submitted to the GA. However, delegations remain unclear about the Deloitte and Touche Report as there has not been a thorough and comprehensive review of the audit report by member states. It appears that the Deloitte and Touche Report is now being used as a reference point by the Secretariat from which conclusions and extrapolations are derived. Until member states have evaluated and are clear as to veracity of the conclusions of the Deloitte and Touche Report, I would ask that the Secretariat desist from quoting or referring to the Deloitte and Touche Report. We should have a thorough discussion on the findings of the D&T Report.

12 **On Question 12**, while it may not be "established practice to request all parties to comment on draft consultancy reports", the fact that the consultants' draft report was presented barely two months after the Procurement Service was placed under the charge of

the Controller and the Director of Accounts. Since both of whom had never previously managed procurement activities, would it not have been prudent to share the draft with at least the senior managers or former senior managers to ensure that there were no factual or contextual errors?

13 On **Question 13**, the Secretariat has indicated that the comments of DM were transmitted to the OIOS. We would like to know what were actually the comments of the Department of Management to the OIOS. Please make these available to the Committee.

14 On **Question 14**, we would like further elaboration on what D&T found on the issue of "internal controls". The Deloitte study stated that UN employees constitute the only control in the Procurement Service. This seems somewhat hard to believe. Did UNPS have no other kinds of systemic or technical controls to prevent fraud? How could NIGP arrive at the conclusion that UN procurement was consistent with public procurement elsewhere if they did not look at basic issues such as internal controls? Why would the US federal and state government utilise this non-profit organisation time and again if it was so incompetent? In any event, what has OIOS been doing all these years with its audits on procurement, if they were not looking into controls? Perhaps the Secretariat and the OIOS could clarify?

Addendum 3

South Africa's Query on Comprehensive DPKO Review

15 We would like to know what is meant by "interaction with personnel involved". We understand that the OIOS did not conduct any formal interview with the Chief of Field Procurement in the context of the comprehensive review. In fact, he was never told that OIOS was engaged in such an exercise. How is it possible that the ASG/OCSS, as the Chief Procurement Officer (under delegated authority from the USG/DM), and the Chief of the Procurement Service were not interviewed in what was supposed to be a "comprehensive review of procurement?" Worse still, I understand that they were not even informed of the audit.

South Africa's query on horizontal audit

16 The handout indicates that "the OIOS Internal Audit Division Management" decided not to go ahead with the draft". We would like the OIOS to confirm this point as we understand that there was a finalised draft. We would like to know whether the draft of the horizontal audit could be shared with the Committee. If not, why not? We also understand that the draft was quite complimentary of the performance of the Procurement Service in many areas. Could that be the reason why the draft was not released to member states?

India's query on action taken in relation to 200 other cases

17 This is a non answer. Can OIOS specify if administrative action was taken against the subjects involved in these 200 or so cases? Were they placed on special leave to avoid undue influence as was done with the case of the 8?

OIOS did not involve OCSS in their audit. OIOS only became aware of the delegation of authority after the report was finalised.

18 What does the phrase "interacted with UNPS and the HCC" actually mean? Were senior staff of UNPS, who by virtue of their position would have a wider knowledge of issues contacted or was it only confined to middle and junior level staff of UNPS ? The other nagging question is whether the OIOS was really aware about the delegation of authority. In para 1 they stated that they knew about it. However in para 3, the OIOS indicated that they "requested and obtained the documentation from the Office of the ASG/OCSS" after the matter was raised by him i.e. after the OIOS report was published. We have been told by the OIOS that the Delegation of Authority only came to light after they were alerted to it by ASG/OCSS. In addition, as claimed by the OIOS, if they had known about the debate on the delegation of authority, why didn't they reflect this crucial information in their report?

OIOS 2nd para

19 The OIOS recommended that "the Secretary General should take action to hold senior management in DPKO and DM accountable for lapses in internal controls and failure to establish a high level of ethical integrity.....". But the fact remains that the senior management in DPKO were not held accountable in the same manner as the OCSS, even though most of the problems in the audit report, such as budgeting, inventory and requisitions, pertained to field operations that came under the charge of the DPKO.

Did OIOS take into account the views of the ASG/OCSS when it prepared its report? OIOS is suggesting that it can act on information provided by senior UN Management. This raises doubts as to whether OIOS is indeed playing its role as a watchdog of senior management and the Secretariat.

20 The Secretariat has indicated that "the audit process normally requires senior management to act on draft reports and to consolidate and provide the comments received from the managers responsible for specific functions audited. Accordingly OIOS had indeed informed the ASG/OCSS and other staff members in the same situation that their comments should be channelled through the USG/DM. OIOS however suggested that the USG/DM forward these comments to OIOS. This was done by USG/DM and OIOS had taken all comments into account in finalising its audit". First this confirmed that OIOS expected input on its draft reports to be channelled through the relevant USG, in this case Mr Burnham. Second, the USG/DM had no wish for the ASG/OCSS' input to be conveyed to OIOS. It was the ASG/OCSS who forwarded its input directly to USG/OIOS. But he

was then told by the USG/OIOS that she would only consider input submitted by the USG/DM.

21 These are arguments raises serious doubts about OIOS's role and the highest independent body in the Secretariat where staff can turn to. They also call into question the independence of OIOS and its ability to accept unvarnished information from relevant parties. In the attempts to get senior management to **"to act on draft reports and to consolidate and provide the comments received from the managers"**, how can we ensure that relevant information are not suppressed? OIOS should be acting on all information that it deems relevant, and not constrained by strict hierarchical structure. There seem to be an inherent shortcoming in the audit process and the channelling of information as it promotes a conflict of interest. Why can't there be a direct line from managers to OIOS rather than this "filtering" done by Senior Management (in this case the USG/DM)? We may need to look into and correct this anomaly.

The Secretariat indicated that OIOS prior audits were transaction based, and as such did not directly address system and control issues. If the core purpose of audit is control, why then do we need an audit?

22 The OIOS stated that all audits by the OIOS "include an assessment of internal controls relevant to the subject being audited". It begs the previous question as to why OIOS or the BOA did not conduct the study that Deloitte was commissioned to do at such great expense?

.