

**Statement by Lakshman Athukorala,  
Chair of the Independent Oversight Advisory Committee  
at the Fiftieth session of the Industrial Development Board  
(agenda item 15)  
22 November 2022**

Mr. President,  
Your Excellencies,  
Mr. Director General,  
Distinguished delegates,  
Ladies and gentlemen,

It is a great honour to present the report of the Independent Oversight Advisory Committee to the Industrial Development Board.

Some of your excellencies and distinguished delegates may be taking part in this agenda item for the first time. Therefore, I would like to take a couple of minutes to highlight the Oversight Advisory Committee (OAC)'s primary mandate to your excellencies. OAC was formed in 2017 by Industrial Development Board (IDB) to review and advise on governance related issues such as UNIDO's financial regulations; internal controls, risk management; Internal audit, evaluation, Investigation functions and External audit, with the objective of contributing to the achievement of UNIDO's organizational goals.

The OAC members are appointed by the Board and serve on a pro bono basis as experts in oversight functions namely finance, accounting, governance, and risk management. The OAC provides independent advice to the Board and to the Director General (DG) of UNIDO on related areas. To do so, the OAC actively engages Member States, the Director General, the Executive Board, other senior management members, as well as the Office of evaluation and Internal Oversight (EIO) and the External Auditor.

The OAC report, as provide in document IDB.50/22, in front of you is based on our findings, discussions we had with the management and the advice that we provided to the management of UNIDO up to our 9<sup>th</sup> meeting held in June 2022. We held our 10<sup>th</sup> OAC meeting just two weeks ago. I will present the summary

of the OAC's report together with the key highlights from the recent 10<sup>th</sup> meeting.

For the year 2022, the OAC continues to emphasize three priority areas: results-based management (RBM); independence and resources for the oversight function, including evaluation, investigation and internal audit; and implementation of recommendations of management action plans (MAPs).

With regards to the results-based budget, UNIDO has made significant progress in putting together, its first results-based budget (RBB). The current budget cycle will help as the learning platform for future RBM budgeting plans. But there is still a significant work to be done to institutionalize the practices and processes. In addition, the OAC would like to highlight the importance of Member States' commitment to the process by recognizing the importance of allocating budgets according to the results in consistence with results that UNIDO wishes to achieve. The OAC also, would like to emphasize the need of further flexibility with regard to the implementation of the UNIDO budgets. This flexibility would allow the movement of funds between major objects of expenditure and result areas in order to facilitate achieve full benefits of results-based budget.

In connection with the progress in governance, risk management and oversight at UNIDO, the OAC reviewed the delivery status of work plans for 2022–2023 of The Office of Evaluation and Internal Oversight and noted the strategic alignment of EIO work plans. The OAC welcomes such alignments. In addition to it, EIO delivered insightful evaluations and internal audit reports that should be used by management to improve UNIDO operations.

With regards to the implementation of management action plans, the OAC is concerned that the MAPs are not implemented at a speed aligned with the criticality of risk. In order to minimize the risk to UNIDO, and reap benefits of recommendations provided by the UN JIU system, the External Auditors, Internal Audit and Evaluation fast implementation of management action plans are necessary. One of the key reasons for such delays was, that, pending the restructuring of the organization some activities had been de-prioritized. This includes implementation of management action plans. However, such delays increase the organizational risk and hence, the OAC reemphasizes the need of fast implementation of management action plans. In several instances, OAC strongly recommended that UNIDO management to consolidate the

recommendations and MAPs from different assurance providers for prioritization of various actions. However, this is yet to be done.

With regards to the report of the External Auditor, the OAC is pleased with the unqualified opinion by the Accounts Chamber of the Russian Federation. The OAC had provided a separate report and comments on the Auditor's Report and on UNIDO's Financial Statements to the 38<sup>th</sup> Session of the PBC. (as per Document PBC.38/CRP.3).

During our 10th meeting, OAC noted that UNIDO's priority in the year 2022 was the finalization of the restructuring of the organization. The OAC welcomes the restructuring arrangements, as an organizational restructure is necessary for an organization to stay relevant, especially when it needs to maintain its edge in the face of development and in its work. Together with the restructuring, the OAC noted that the leadership is giving prominence to innovation. In this area achieving such objectives, the OAC urge management to give attention to organizational culture and morale to motivate and empower staff to be enthusiastic partners in this process.

As a result of the restructuring, some key former governance and coordination functions at senior level is changing. It is important that new arrangements are formalized early with a definite timeline to avoid ad hoc decisions by certain managers that are not shared and not well communicated to the rest of the senior management team. Likewise, OAC noted that there is no longer a senior manager accountable at corporate level for enterprise risk management. This means that the risk register has no longer a clear owner, and the progress that had been made to implement the JIU recommendations to strengthen enterprise risk management at UNIDO are threatened.

Based on our past experience, the value of the OAC to UNIDO is enhanced through close information sharing with the DG. The value-addition of the OAC to the Board and to the DG are enhanced by regular exchange of ideas and advice. The OAC can share its experience with UNIDO as the organization goes through transformation. We are happy to provide our insights and independent advice based on our deep experiences. But it will depend on the willingness or need of the Director General and the Board for such advice. The OAC suggests that we, I mean, the Director General, the Board and the OAC become active partners in information exchange so that UNIDO could further benefit from our existence.

Finally, in the five years of that OAC has existed, we have seen the Office of Evaluation and Internal Oversight (EIO) maturing further and applying synergies between their different areas of expertise. The OAC is pleased that management is planning to share more success stories and lessons learned on impact with donors and the public. The gravity of such success stories will depend on improved knowledge management, ensure projects are designed and implemented driven by results and impact, stronger organizational monitoring system, and strong communications. Currently a large amount of evaluation time is tied up in “obligatory” project evaluations and that adds little strategic value. Ensuring key evaluations, that allow for validation of the impact that UNIDO is having in addressing the progress on the SDGs, should be a priority for the organization. UNIDO should put in place a process for capturing data and information from projects in a systematic manner, and telling the success stories. This also requires baselines and in turn adequate resources. Hence, the OAC suggests that further strengthening of the EIO functions, and its independent authority over the financial and human resources allocated to EIO.

Lastly, we wish to thank the Board and would like to reiterate our continued strong commitment to UNIDO and its strategic goals. We are always available to provide advice to the Board and the Director General in an effort to enhance good governance and to play our role in assisting UNIDO to achieve its strategic objectives.

I thank the Board for the opportunity provided to present the annual report of the OAC.