

**Opening Statement to the Fifth Committee  
on the Reports of the Board of Auditors on Concise Summary, Volume I, ITC,  
UNCDF, UNDP, UNEP, UNFPA, UN-Habitat, UNICEF, UNITAR, UNHCR,  
UNODC, UNOPS, UNRWA, UNU, UN-Women, ICTR, ICTY and IRMCT**

**October 2017**

Mr Chairman,

Distinguished Delegates,

On behalf of the Chairman, Mr. Rajiv Mehrishi, Comptroller and Auditor General of India and the other Board members Professor Mussa Assad, Controller and Auditor General of the United Republic of Tanzania, Mr. Kay Scheller, President of the German Federal Court of Auditors, I have the honour to introduce the main findings from the Board of Auditors Concise Summary and the reports for the audit of Volume I, ITC, UNCDF, UNDP, UNEP, UNFPA, UN-Habitat, UNICEF, UNITAR, UNHCR, UNODC, UNOPS, UNRWA, UNU, UN-Women, ICTR, ICTY and IRMCT for the period ended 31 December 2016.

**Key findings**

**Concise Summary Report**

The concise summary report covers the common themes and major issues identified in the Board's reports addressed to the General Assembly on 20 entities including 18 entities that I have mentioned above and the UN Peace keeping Operations and UNJSPF.

***Audit Opinion***

All 20 entities received unqualified audit opinions. ICTR and ICTY received unqualified opinions with an emphasis of matter.

***Financial Performance***

Eight entities (UNDP, UNEP, UN-Habitat, UNHCR, UNODC, UNOPS, ICTR and IRMCT) closed the financial year with a surplus, while 11 entities (UN Volume I, UN PKO, ITC, UNCDF, UNFPA, UNICEF, UNITAR, UNRWA, UNU, UN-Women and ICTY) recorded a deficit. We further noted that except the ITC all entities have positive net assets. Net asset of 10 entities (UN Volume I, UN PKO, ITC, UNCDF, UNFPA, UNICEF, UNRWA, UNU, UN-Women and ICTY) declined over the previous year.

***Employee Benefit Liabilities***

The Board noted that employee benefit liability (excluding pensionary benefits) is one of the major liabilities for most of the entities. For 11 entities, employee benefit liability is

more than half of the total liability. It is as high as 94 percent in UNCDF and more than 75 percent of total liability for UN Volume I, UNFPA, UNITAR, UNRWA and UNHCR. It is important for entities to have a funding plan for this liability.

### ***Fraud awareness and prevention measures***

The Board noted that all entities have documented anti-fraud and anti-corruption framework. All the reporting entities believe they have adequate strategies in place to prevent fraud. The Board noted that seven entities (UN Volume I, ITC, UNEP, UNITAR, UNODC, ICTY and IRMCT) have not conducted fraud risk assessment. Without fraud risk assessment, it would be difficult for the entity to identify the vulnerable areas to the fraud and procedural weaknesses which may lead to fraud.

### ***Implementation of outstanding recommendations***

In every audit report, the Board analyses various issues during the audit and makes recommendations. The recommendations are addressed to improve the functioning of an entity. The Board reviewed the status of old recommendations and noted that the overall rate of implementation of the old recommendations has increased to 45 percent in 2016 over 43 percent in 2015.

The Board is concerned over the number of recommendations pending for more than two years. There are 53 recommendations pending for more than two years which is 9 percent of the total recommendations outstanding as at 31 December 2015.

Now, I would like to discuss some important findings from the different reports: -

## **Volume I**

### ***Financial Management***

In the revised financial statements, the Administration has disclosed that the amounts of unused commitments are still being finalized and that they have preliminarily determined the level of unused commitments raised in 2014 – 2015 biennium to be approximately \$45.6 million. As per the significant accounting policies, uncommitted balances of the appropriations at the end of the budget period and expired balances of appropriations retained from the prior periods are to be reported as provisions for credits to the Member States. However, the provision has not been made by the Administration in the accounts for the year ended 31 December 2016.

There is inadequate control over the whole exercise of collecting and collating staff (actives and retirees) details for onward transmission to the actuary. The Administration is dependent upon the various Missions for sending their respective details to Headquarters. There were important omissions in the data sent for actuarial valuation which indicate that sufficient checks are not carried out at Headquarters for ensuring their completeness.

### ***Procurement***

Procurement authority was not delegated in a structured and well-organized manner. The organization and structure of procurement authority was fragmented and responsibilities and accountability were not clearly defined.

## **SHP**

Despite steps taken, there are areas of concern related to the timely completion of the project and improvements needed in project governance and procurement. The project has experienced delays regarding scheduled contract signatures for the Enabling Works Package and the Construction Work Package for the New Permanent Building.

## **UNDP**

### ***Project oversight, monitoring and reviews***

In its previous reports the Board noted inadequate updating in Atlas of project risks and issues logs, and mitigating actions. In 2016, the Board continued to note similar weaknesses, that is, of the 90 projects reviewed at six country offices visited, 21 projects (23 per cent), at four country offices, had no updates in Atlas on logs for risks issues and monitoring of risks, while for 69 projects (77 per cent), either risks and issues logs were updated late or only a few risks and issues were updated in Atlas and their monitoring logs were not updated adequately and regularly.

## **UNFPA**

### ***Use of Global Programming System (GPS) for work plan management***

Despite development of the GPS, the Board noted that UNFPA has not been properly utilizing the GPS to manage work plans. For example, the Board found that the work plans (WP) were signed with the implementing partners prior to approval of the WP in the GPS contrary to the GPS user guide that requires the work plans to be prepared, submitted, approved in the GPS and then signed with concerned partners before they can be considered as actual work plans. In addition, the Board found that 26 work plans (hard copies) had different amounts from those posted in GPS such that the total amounts signed in the hard copy work plans were higher than those in GPS by \$1.9 million.

## **UN Habitat**

### ***Inadequate implementation of enterprise risk management***

The enterprise risk management awareness training for staff members, which was scheduled to be conducted from September 2015 to April 2016, had not been conducted as at November 2016. Moreover, the risk register summarizing all important risks and response strategies to mitigate risks in implementation of projects had not been prepared as required under the UN-Habitat enterprise risk management implementation guidelines.

## **UNICEF**

### ***Supply Management***

In accordance with the provisions of the UNICEF Supply Manual, a free detention time of 45 days is allowed for un-stuffing and eventual release of containers to the carrier. Detention beyond 45 days incurs demurrage charges, which vary based on the destination and carrier. UNICEF accrued \$1.60 million in demurrage charges for containers returned to

the consignee and \$4.48 million in demurrage charges for containers that were not returned until February 2017.

## **UNITAR**

UNITAR adopted IPSAS in 2014 and implemented the UNDP administered Atlas (ERP) system in 2015. Many journal entries for the year 2016 needed to be corrected.

## **UNHCR**

Cash-based assistance is a significant component of support to UNHCR's beneficiaries. In one country, seasonal support from December 2016 to March 2017 was granted as a one-off payment. Standard operating procedures on cash based interventions were unclear on whether seasonal support is a monthly or one-off payment. While UNHCR provided documentation for its decision, the Board considers that disbursement terms of seasonal support should be clear.

## **UNODC**

The United Nations is committed to improving accessibility of staff members with disabilities. While UNODC has not yet set standards on accessibility of its field offices, it has taken first steps to define local standards.

The Administration has launched the process of supporting Member States in the implementation of SDGs. UNODC should develop a concrete agenda and indicators that allow tracking its progress.

## **UNOPS**

### ***Governance Structure***

Directors at headquarters are engaged in policymaking and putting in place systems and standards while the related aspects of obtaining management information and reports that permit managerial oversight at all levels were found wanting. There was no centralized system for reporting project quality risks and incidents. The role of headquarters' directors is not clearly set out even in the new governance risk and compliance framework for 2016.

## **UNRWA**

### ***Management of cash transfer through e card system***

UNRWA made some reforms such as transitioning from the provision of in-kind food assistance to a cash-based transfer approach in some field offices, and introducing new systems and policies. Despite the initiatives, staff at the lower level still need awareness trainings for introduced changes.

## **UN-Women**

### ***Establishment of field and programme presence***

UN-Women does not have any documented policy or guidance note to govern the establishment and operations of field and programme presences. As a result of this, the Board noted that two offices away from headquarters (one country and one regional office) had established five field presences and four programme presences, respectively, without properly documented business cases.

## **Tribunals**

For the period under review, tribunals (ICTR and ICTY) were at different stages of closure, while the Mechanism was progressively taking over operation of the tribunals. Audit issues included in the reports to a large extent indicate these dynamics. The 2016 ICTR report was the last one after it closed its operations on 31 December 2015. From 1 January 2016, formal liquidation activities started under the Liquidation Team up to July 2016, followed by the administrative liquidation process under the Mechanisms which continued up to January 2017 when the ICTR was fully amalgamated with the Mechanism. Reported issues therefore include management of the liquidation process, and follow up of the outstanding issues. As the ICTR has been fully closed recommendations are directed to the Mechanism mostly as lesson learnt and to ensure that the activities left behind are finalised expeditiously.

## **UNU**

UNU did not adapt its Strategic Plan 2015-2019 to include the Sustainable Development Goals, and there is no other guideline on how UNU plans to support the United Nations system regarding the 2030 Agenda.

Mr. Chairman and Distinguished Delegates, this concludes my statement. My Colleagues and I will be available to respond to the Committee questions during the informal sessions of the Committee.

Thank you.



**Anand Bajaj**  
**Director of External Audit (India)**  
**Chair of the Audit Operations Committee**