

  
**United Nations Nations Unies**  
**BOARD OF AUDITORS**

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**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, ICTY and  
IRMCT**

Madam Chairperson,

Distinguished Delegates,

On behalf of the Chairman, Mr. Rajiv Mehrishi, Comptroller and Auditor General of India and the other Board Members Mr. Kay Scheller, President of the German Federal Court of Auditors, Mr. Mussa Juma Assad, United Republic of Tanzania, 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, ICTY and IRMCT for the period ended 31 December 2017.

**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 19 entities including 17 entities that I have mentioned above and the UN Peace Keeping Operations and UNJSPF.

***Audit Opinion***

All these entities received unqualified audit opinions. ICTY received an emphasis of matter to draw attention to the fact that it had ceased to be a going concern on 31 December 2017 on completion of its mandate.

***Financial Performance***

13 entities, namely, UN Volume 1, ITC, UNDP, UNEP, UNFPA, UNICEF, UNITAR, UNHCR, UNODC, UNOPS, UN-Women and ICTY closed the financial year with a surplus. Five entities, namely, UNCDF, UN-Habitat, UNRWA, UNU and IRMCT recorded a deficit. Net assets of seven entities (UN Volume I, UNCDF, UNDP, UNU, UN-Habitat, UNRWA and IRMCT) declined while the net assets of eleven entities (UNPKO, ITC, UNEP, UNFPA, UNICEF, UNITAR, UNHCR,

UNODC, UNOPS, UN-Women and ICTY) increased when compared with the previous year. The financial position of all entities remained strong with comfortable solvency and liquidity ratios.

### ***Employee Benefit Liabilities***

Employee benefit liabilities were among the major liabilities for most of the entities, being more than a quarter of the total liabilities for 17 entities. It was as high as 97 per cent of the total liabilities in respect of UNCDF and was more than 75 per cent of the total liabilities for UN Volume 1, UNFPA, UNITAR, UNRWA, UNHCR and IRMCT. The Board noted that seven entities, namely, UN Volume 1, UN PKO, UNEP, UN-Habitat, UNRWA, ICTY and IRMCT had no funding arrangements for employee benefit liabilities. The Board has been pointing out that it is important that entities have a funding plan for these liabilities.

### ***Managing the risk of fraud***

United Nations is exposed to a wide range of fraud risks, both internal and external. The Board noted that only 11 entities, namely, UN Volume I, UNPKO, ITC, UNCDF, UNDP, UNFPA, UNHabitat, UNICEF, UNHCR, UNJSPF and UNOPS had conducted fraud risk assessments. All entities except IRMCT imparted training on fraud awareness to their staff.

### ***Implementing Partners***

The Board noted that 13 entities, namely, UN Volume I, ITC, UNCDF, UNDP, UNEP, UNFPA, UN-Habitat, UNICEF, UNITAR, UNHCR, UNODC, UN-Women and UNOPS, transferred amounts ranging from 3 per cent of their total expenditure (ITC) to 50 per cent of their total expenditure (UNEP) to implementing partners. The Board noticed gaps in selection of implementing partners, timely release of funds to them and in their monitoring, evaluation and reporting.

### ***Human resources management***

The functionality regarding selection of contractors and individual consultants in Inspira, the enterprise talent management platform of the UN Secretariat, has not yet been deployed in the UN Headquarters. The Board noted weaknesses in the internal controls over hiring and monitoring the work of consultants.

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

In every audit report, the Board makes recommendations to address the deficiencies noticed on the basis of its examination in order to help improve the functioning of the entities audited. The Board noted that the overall rate of implementation of outstanding recommendations had increased marginally from 45 per cent in 2016 to 49 per cent in 2017. At the entity level, the rate of implementation of the outstanding recommendations ranged from 17 per cent to 84 per cent.

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

## **Volume I**

### ***Financial Management***

The financial statements reflect outstanding commitments of \$135.9 million. Analysis of a sample of outstanding commitments valuing \$56.55 million indicated that 43 percent of them, valuing \$24.23 million, were not delivered in the year 2017. Designating these commitments as outstanding against the regular budget of the biennium (2016-17) resulted in overstatement of reported expenditure and inadequate provision for unencumbered balances for the biennium, i.e., the amount which has to be surrendered to the member states.

### ***Heritage Assets***

The Board noted incomplete record maintenance and lack of physical verification of heritage assets and is of the view that the present system of management of heritage assets is vulnerable to inherent risks.

### ***Procurement management***

The Procurement Division is responsible for the largest procurement volume of all United Nations system organizations, managing more than \$3 billion expenditure per annum. The Board recommends that the Administration develop a process to strengthen oversight and put in place a compliance mechanism regarding the delegation of procurement authority, and uses the results to regularly review the delegations and, if necessary, adapt or even withdraw the delegation. The Board further recommends that the Procurement Division clarify in the Procurement Manual that the procurement officer has to assess the market conditions / industry practices before technical specifications are drafted.

### ***On managing the risk of fraud***

The Board noticed that the enterprise risk assessment has not percolated down fully to the level of the Departments, Offices and Missions as only 12 departments and 14 missions have conducted risk assessments and prepared draft risk registers. At the corporate level, progress scorecard on implementation of risk response and risk treatment plans have not been prepared after November 2016. The Secretariat has not formulated a strategy or an action plan to operationalize the antifraud and anti-corruption framework. Consequently, there is no mechanism to assess and monitor the implementation of the Framework.

### ***UNOG***

UNOG provides services to entities financed from regular budget and also to entities financed from extra-budgetary sources and to other organizations of the United Nations common system and jointly-funded entities. The Board recommends that UNOG further refine its cost calculation approach with regard to non-staff costs through streamlining the different approaches of cost calculation across the different organizational units of UNOG and through regularly updating cost calculations for the services delivered. The Board further recommends that UNOG liaise with

Headquarters to develop a common global approach for calculations and transparent recoveries of costs for services within the United Nations.

## **UNICEF**

The Board noticed weaknesses in the travel management utility, transfer to implementing partners and closure of contracts in VISION (the enterprise resource planning system of UNICEF).

## **UNOPS**

The Board noticed that UNOPS adopted 31 sustainable procurement criteria checklists. However, certain checklists were not applied to certain procurement categories, leaving gaps in the implementation of sustainability criteria. Besides, sustainable procurement criteria were often not adopted in actual procurement.

## **ITC**

The Board noted that ITC had awarded contracts on single bid in 42 per cent of test checked cases for consultants. The Board also noticed that the Hiring Managers had not advertised the assignments to expand the pool of candidates, thus forgoing a competitive selection process for hiring consultants.

## **UNHCR**

The Board pointed out that the monitoring and evaluation of cash-based interventions and training impacts can be strengthened. With regard to UNHCR's sustainable development goals engagement, the Board noted that UNHCR has not yet fully assessed programmatic implications of the 2030 Agenda for sustainable development. The Board also noticed that UNHCR shipped products from the Copenhagen warehouse to Africa and recommended the cost-effectiveness of the warehouse location needs to be assessed.

## **UNU**

The Board has expressed its concerns about the financial sustainability of the University's institutes. Recent developments show that the institutes can only cover one third of their expenses from voluntary contributions, while in 2014 expenses were fully covered. The Board recommends that the University thoroughly analyses the financial situation of all its institutes and take appropriate steps to strengthen financial.

The University has not yet fully implemented the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat.

## **UNITAR**

UNITAR makes frequent use of consultants but lacks a method to ensure comparability among their performance.

As to the important issue of fraud and corruption prevention, the Board found that UNITAR's fraud definition differs from the definition used by the Secretariat. UNITAR should adopt the Secretariat's definition. The enterprise risk management system - which is currently under development - does not place a focus on fraud, corruption and misuse of resources by its staff.

## **UNODC**

UNODC is transitioning to Umoja and more time will be needed until all functions will be fully operational. The Board highlighted incomplete review process of incoming donation agreements and a very complex process of full cost recovery. Though the Board noted that cash management had improved over the last year; further improvements are needed to fully align with the underlying rules and regulations.

The Administration had not set up an overall procurement plan for the last two years. The Board noted that there is no sufficient institutional structure to ensure that procurement planning is done in line with the procurement regulations and rules of the United Nations. The Administration had also not undertaken systematic fraud risk assessments.

## **UN-Women**

As noted in past years, the Board observed that there was unsatisfactory assessment and selection of implementing partners. The Board also noted that although UN-Women conducted fraud risk assessments for the entire organization and rolled out the fraud risk assessments for selected headquarters functions and five field offices, there were no individual fraud risk assessment plans for any of the six field offices visited by the Board during the year.

## **UNDP**

The Board continued to note recurring deficiencies in programme and project management. For example, the Board noted instances of noncompliance with the requirement to systematically review UNDP country programme at three out of six visited country offices. Other weaknesses were delays in signing the combined delivery reports (CDR), inactive HACT working groups as well as non-performance of macro and micro assessments for the Harmonised Approach to Cash Transfer (HACT), deficiencies in management of Atlas Electronic Fund Transfers (EFT), untested disaster recovery plan and business continuity plan, control deficiencies in information security governance, and lack of alternative recovery site and off-site storage facility.

## **UNCDF**

The Board noticed shortcomings in project management. The Local Governance and Community Development Programme (LGCDP I) at Nepal continued to phase II from 2013 to 2017 but the final evaluation for phase I which was due in 2012 had not been conducted until December 2017 contrary to the UNDP/UNCDF policy.

## **UNFPA**

The Board noted scope for improvement both at headquarters and in field offices in the areas of risk management processes, a harmonized approach to cash transfers, procurement and contract management, human resources management and Information and Communication Technology. The Board also noted that 18 accounts out of 45 domain users in active directory were still enabled despite the fact that the users had already separated from the UNFPA Cambodia Country Office.

## **UNRWA**

UNRWA continues to experience financial difficulties to achieve its mandate of serving the Palestine refugees. In 2017, the Agency carried forward a Programme Budget cash deficit of \$49 million and has projected further deficit of \$397 million for the year 2018. Therefore, the projected overall deficit for the year 2018 is \$446 million including \$49 million from the previous year. The increase in deficit is a result of suspended contributions amounting to \$400 million from one of the major donor in respect of years 2017 and 2018. This situation threatens the Agency's ability to deliver its core mandate to Palestine refugees. As a short-term solution, the Agency has requested advance payments from its donors to finance core operations for 2018. The Agency has also launched internal campaign taskforce for resource mobilization.

## **ICTY**

On 1 January 2018, the Tribunal was formally amalgamated administratively by transferring the remaining identifiable assets and liabilities to the International Residual Mechanism for Criminal Tribunal (the Mechanism). The Board was satisfied with the efforts made by the Tribunal to ensure successful completion of its mandate and closure on 31 December 2017 though existence of six unresolved staff-related litigation and disputes were noted.

## **IRMCT**

The Board noted that over the reporting period the solvency of IRMCT slightly deteriorated due to the large balance of the employee benefits, judges' honorariums and allowances which are settled on a pay-as-you-go basis. The Board also noted non-review of variation orders by the Local Committee on Contracts (LCC) and Procurement Division (PD); non-updating of assets information in Umoja ERP; delays in submission of travel request for early booking; lack of ICT strategy; and lack of back up for 4,399 AV recordings out of approximately 115,000 AV recordings generated from about 35,000 court sessions held between January 1994 and December 2017.

## **UNEP**

The Board noted inadequate management actions and mechanisms to address challenges related to project administrative issues reported by project managers in the Project Information Management System. The Board also noted inadequate segregation of duties in Umoja Access provisioning where 51 users were assigned conflicting roles for example, requisitioners and buyer roles.

## **UN-Habitat**

The Board noted that there were delays in releasing funds to implementing partners. The Board noted that a person who was not a staff and who had no delegated authority entered into a lease agreement for the provision of office and parking space on behalf of UN Habitat country office. The office building in question was not occupied by staff or assets of UN-Habitat.

This concludes my introductory statement. I, along with my colleagues, would be happy to provide any clarifications or additional information that the Committee may require.

Thank you.

A handwritten signature in black ink that reads "Parama Sen". The signature is written in a cursive, flowing style.

**Parama Sen Director of External Audit, India  
Chairperson, Audit Operations Committee**