

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 (A/78/215), United Nations Secretariat (Volume I) (A/78/5 (Vol. I)), United Nations Office for Project Services (UNOPS) (A/78/5/Add.11), United Nations Environment Programme (UNEP) (A/78/5/Add.7), United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) (A/78/5/Add.4), United Nations Human Settlements Programme (UN-Habitat) (A/78/5/Add.9), International Trade Centre (ITC) (A/78/5 Vol. III), United Nations Population Fund (UNFPA) (A/78/5 Add.8), United Nations Children's Fund (UNICEF) (A/78/5 Add.3), United Nations Institute for Training and Research (UNITAR) (A/78/5 Add.5), United Nations Office on Drugs and Crime (UNODC) (A/78/5 Add.10), United Nations University (UNU) (A/78/5 Vol. IV), United Nations Entity for Gender Equality and the Empowerment of Women (UN WOMEN) (A/78/5 Add.12), International Residual Mechanism for Criminal Tribunals (IRMCT) (A/78/5 Add.15), United Nations Development Programme (UNDP)(A/78/5 Add. 1), United Nations Capital Development Fund (UNCDF) (A/78/5 Add.2) and United Nations High Commissioner for Refugees (UNHCR) (A/78/5/Add.6)

for the year ended 31 December 2022

November 2023

Mr. Chairman,

Distinguished delegates,

On behalf of the Board 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, UNOPS, UNEP, UNRWA, UN-Habitat, ITC, UNFPA, UNICEF, UNITAR, UNODC, UNU, UN WOMEN, IRMCT, UNDP, UNCDF, UNHCR for the year ended 31 December 2022.

I. Concise Summary

The Concise Summary Report summarizes the principal findings and conclusions contained in the reports of the Board of Auditors of 18 entities, namely, UN Volume I, UN PKO, ITC, UNCDF, UNDP, UNEP, UNFPA, UN-Habitat, UNICEF, UNITAR, UNHCR, UNJSPF, UNODC, UNOPS, UNRWA, UNU, UN-Women and IRMCT, for the annual financial period 2022. In addition to commentaries on financial performance, cash and investment management, employee benefit liabilities, it has included a special chapter on financial and budget management.

Audit opinions. All 18 entities received unqualified audit opinions.

Financial performance. Overall, these entities displayed healthy financial performance in 2022. For assets, the Board noted that ten entities experienced a decline while seven entities experienced an increase. Regarding total liabilities, all audited entities experienced a decrease, primarily due to the actuarial gain on employee benefits liabilities. In terms of total revenue, six entities experienced an increase, while the remaining 11 entities experienced a decrease. For the total expenses, 14 entities increased while the other three entities experienced a decrease. For net results, eight entities concluded the financial year with a surplus, while nine entities reported a deficit. In general, the financial position of all entities remained at least sufficient.

Status of implementation of outstanding recommendations. The overall rate of implementation of the outstanding recommendations was 52.49 per cent in 2022, remained similar to 2021.

Key findings and recommendations. A total of 108 key findings had been identified in 2022 financial year compared to 121 in 2021. Financial and budget management, programme and project management, and procurement management constitute 58 per cent of the total findings in 2022.

Financial and budget management. 17 entities managed to stay within their allocated budgets

Weaknesses in financial and budget management. The Board noted some weaknesses in relation to absence of regulations and rules in some areas, inadequacies for some regulations, rules, and guidelines, as well as weaknesses in compliance with the existing regulations and rules or guidelines.

View on areas for further improvement to financial and budget management. (a) The policy frameworks in relation to financial and budget management could be updated where addressing weaknesses as needed; (b) Improved monitoring and streamlining would be needed on compliance and accountability; (c) The use of inactive funds or unencumbered balances could be optimized to improve efficiency and effectiveness; (d) Training and workshops could be organized to improve financial and budget management; and (e) Full and timely implementation of the Board's recommendations is necessary.

II. Volume I

Overall conclusion. The Board issued an unqualified audit opinion on the financial statements of Volume I for the financial year 2022 and noted that the overall financial position of the Organization as at 31 December 2022 remains sound. Approximately 99 per cent of the regular budget was used in 2022, leaving underexpenditure of approximately \$40.14 million.

Follow up on previous recommendations. The Administration had to implement 262 recommendations of previous audit reports, of which 111 were implemented, 140 were under implementation, and 11 have been overtaken by events.

The reasons for having those recommendations as pending could be mainly attributed to implementation workplan schedule and timeline, with some recommendations involving multiple accountable entities or being composed of several elements.

Key findings. A total of 61 findings with 84 corresponding recommendations are reflected and all accepted by the Administration. These findings and recommendations mainly covers such core business areas as accounts and financial reporting, budget management, cost-recovery services, revenue-producing activities, fund management, health insurance programme, asset management, human resources management, supply chain management, management reform, development reform, operations related peace and security affairs, humanitarian affairs, and information and communications technology. 25 of the 84 recommendations are related to the transparency of extrabudgetary resources, overexpenditure on furniture and equipment, significant cash balances of closing/closed voluntary contributions, overreliance on the third-party in ICT services, deficiencies in a P5 position management and so on, and are categorized as priority by the Administration.

III. UNOPS

UNOPS reported a deficit of \$28.78 million mainly due to recognition of impairment of Sustainable Investments in Infrastructure and Innovation (S3i) investments and a net finance loss.

For budget management, there was a lack of alignment between pricing and budgeting.

For investment management, the use of received prepayments for investments was not authorized by funding agreements. Furthermore, the S3i investments were fully impaired for \$58.80 million but claims for the losses had been delayed.

Regarding project management, early termination of consolidated purchase of medicines and medical supplies, with a total contract value of \$6.1 billion, needs to be reviewed.

IV. UNEP:

For budget management, 12 of the 15 multilateral environmental agreements (MEAs) had not adopted results-based budgeting, resulting in insufficient evaluation on the achievement of the planned outputs.

The implementation of UNEP South-South and Triangular Cooperation Strategy was not adequate. In addition, insufficient control over cooperation with medium or high risk private entities may pose reputational risks to UNEP.

V. UNRWA

UNRWA reported a deficit of \$122 million for 2022, which is attributable mainly to a decrease in cash contributions from different donors.

The Board also noted inadequate performance of duties of the Advisory Committee on Resource Allocation and significant delays in the distribution of approved Selective Cash Assistance payments. In addition, 41 per cent of daily paid workers employed by UNRWA had exceeded the prescribed two-year limit.

VI. UN-Habitat

UN-Habitat recorded a total deficit of \$15.6 million in 2022.

The Board also noted the absence of oversight on project budget and finance required by Programme Review Committee, as well as insufficient monitoring and re-evaluation of approved (on-going) projects by Programme Review Committee.

There were also weaknesses in the management of unearmarked funds and programme support cost rates.

VII. ITC

The net assets of ITC remained negative. The Board also noted deficiencies in commitment establishment and management.

VIII. UNFPA

During the audit of UNFPA, the Board noted scope for improvement in the areas of information and communications technology (ICT), Supply Chain Management Unit, the Oversight Advisory Committee Establishment, the Office of Audit and Investigation Services, the Sustainable Development Goals, human resources management and programme management.

As key findings, the Board noticed that UNFPA had not prepared a project document that comprised the changes and defined the upcoming stages of their ICT transformation project. Additionally, UNFPA did not have a framework regarding internal project management at the time of the project's implementation. The project was prepared based on the Oracle unified method and focused only on developing an ICT solution.

Also, the ICT transformation project, planned to go-live in January 2021, with an estimated cost for UNFPA of \$24.2 million, was not implemented by the Fund. After facing setbacks in the launch of its enterprise resource planning owing to project design and implementation delays, UNFPA decided to change the course of action and join the Quantum consortium led by the United Nations Development Programme.

IX. UNICEF

The Board identified scope for improvement in the areas of implementing partners, information and communications technology, enterprise risk management, investment management, budget management, charge-back cost distribution, Global Shared Service Centre performance, funds held on behalf of third parties, and procurement management.

In regard to Implementing partners, important recommendations were made in relation to the performance of spot checks and the closure and management of action points.

In the area of ICT, the Board noted shortcomings in the information and communications technology security measures required by the organization in the vulnerability management process.

And in relation to Risk Management, the Board found limited definition of governance and other relevant functions in the enterprise risk management structure.

X. UNITAR

The Board identified scope for improvement in the areas of financial management, budget management, programme management, project management, human resources management, management of the International Training Centre for Authorities and Leaders network and property and inventory management.

In the area of financial management, key findings were observed in relation to the non-recognition of implementing partners expenditures. In project management, the Board found a lack of clarity on assurance activity criteria for grant transfers to implementing partners.

Finally, a number of recommendations were issued regarding program management, particularly in relation to the decreasing levels of completion rates for events with objective assessment of learning. This is especially relevant for an organization such as UNITAR, one of whose main objectives is to provide and facilitate knowledge, skills, and attitudes to its beneficiaries.

XI. UNODC

The Board found issues regarding financial and accounting management, enterprise risk management, procurement management, programme and project management, and information and communications technology.

On financial and accounting management, the Board noted that several assets recognized as property, plant, and equipment, did not meet the criteria to be recognized as such. IN this same area, the Board also found excess income under the full cost recovery fund.

In the area of risk management, the Board noted a need for strengthening the risk management process.

And on the issue of programme and project management, the review of grants registered in Umoja showed a large number of expired grants with pending operational closure, delayed for more than six months as at 31 December 2022.

XII. UNU

For UNU, the Board noted that a lack of definitions in the cooperation agreement between UNU and the Maastricht Economic and Social Research Institute on Innovation and Technology (UNU-MERIT), which resulted in various administrative issues.

Most number of recommendations, however, were issued in the area of risk management, where the Board identified deficiencies in the completeness of the risk registers, lack of risk owner definition and designation and the absence of treatment plans for significant risks.

XIII. UN-WOMEN

During the audit of UN-WOMEN, the Board found weaknesses in the implementation of the UN-Women strategic plan, where there were no funds allocated to or tracked for Sustainable Development Goals and unregistered results at the project level, as well as delays in annual planning, quarterly monitoring and annual reports.

In the programme management area, the Board detected limited progress related to an organization-wide policy on environmental sustainability in programme matters. Likewise, country offices did not apply environmental standards in their functions to contribute to SDG 13.

On issues related to private sector partnership, the Board reviewed the partnership assessment conducted of a private sector partner and noted that the process had been built on the basis of imprecise risk information and, consequently, a conclusion had been provided that had not clearly taken into account several background facts collected regarding the partner.

Other number of recommendations were issued in the areas of procurement management, and information and communications technology.

XIV. IRMCT

For the Residual Mechanism, the Board found fully depreciated assets without duly disposal processes performed in Umoja. In addition, it was observed that those assets had not been found and that the causes of and responsibility for their loss had not been determined. In the area of human resources management, the Board found incomplete documentation of training expenses and outcomes and a lack of break in service for temporary appointments.

XV. UNDP

The Board focused on the financial statements for the 2022 financial year and on three themes: the reform of “delinking” the functions of UN Resident Coordinator and UNDP Resident Representative; identification and management of risks; the management of programmes and projects linked to sustainable development goal 16 (good governance).

With regard to the financial audit, UNDP erroneously recorded revenue upfront for government cost sharing contracts financed by International Financial Institutions instead of on a cash basis per its current revenue recognition policy, which would have resulted in a significant overestimation of its 2022 revenue. An adjustment was carried out for \$518 million in the final version of the financial statements. Based on the Board’s findings, an impairment adjustment was also recorded on the Global Environment Facility receivable for \$31 million in the final version of the financial statements.

With regard to the “delinking” reform, UNDP has anticipated and implemented a complex transition on short notice, as requested by the General Assembly and by UNDP’s Executive Board. The potential annual savings for the UNDP linked to the reform may be estimated in the range of \$14 million and \$34 million. The reform raises the question of what importance the UNDP should attach in the future to providing services for other UN agencies. It is also, and above all, an opportunity to consolidate UNDP’s integrator role at the center of the UN development programme, enabling it to better link up with the other priorities including in the areas of peacekeeping operations and humanitarian affairs.

With regard to the identification and management of risks, the Board notably highlights UNDP’s difficulty in managing the most strategic risks, in good understanding with its Executive Board, including resource and reputation risks.

With regard to the management of governance-related programmes and projects, the Board stresses in particular that UNDP could communicate better on its results and make better use of its expertise, and thus strengthen its role in monitoring the long-term impact of its actions in favor of governance, in particular through publications on the implementation of SDG 16 at global level.

XVI. UNCDF

Regarding the financial audit, the Board's main observation concerns the recognition of performance-based grants liabilities and expenses, on which UNCDF decided to disclose their temporary departure from IPSAS until the new standard on transfer expenses is applied.

With regard to the identification and management of risks, the Board stresses that UNCDF is particularly exposed by its mandate, which targets the least developed countries, by the expansion of its portfolio over the recent period and by new strategic orientations which could move the organization away from its initial mandate. Its relationship with UNDP also tends to create specific risks, and calls for clarification.

XVII. UNHCR

The Board focused on the financial statements for the 2022 financial year and two topics: risks and their management and procurement.

Regarding the financial audit, a key observation of the Board concerns the fact that the presentation of the Staff Benefits Fund in UNHCR statement I departs from IPSAS and does not show that: the Fund, as at 31 December 2022, is a positive reserve amounting to \$738 million (and not a "negative reserve" of \$351 million); the assets of the Fund are not "ring-fenced" from other UNHCR assets.

With regard to the identification and management of risks, UNHCR has reached a high level of maturity, even if margins for improvement remain, in particular as regards effectiveness and consistency of risk management in the field.

With regard to procurement, improvements are needed in various areas, including updating rules, notably regarding the increased threshold for formal solicitation and the emergency contract awards, strengthening leadership and expertise, enhancing planning and monitoring, reallocating procurement responsibilities, better articulating with inventory management, managing risks related to procurement, ensuring compliance, as well as reinforcing oversight of procurement by implementing partners.



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