

**BOARD OF AUDITORS**

**NEW YORK**

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**Opening Statement on the Report of the Board of Auditors on the financial statements of the United Nations Framework Convention on Climate Change (FCCC/SBI/2017/INF.15) to the Contact group on Administrative, Financial and Institutional Matters of the Subsidiary Body for Implementation (SBI)  
[8 November 2017]**

Mr Chairman,

Distinguished Delegates,

As Lead auditor and on behalf of the Chair of the Board of Auditors Mr. Rajiv Mehrishi, Comptroller and Auditor General of India, and the Board member Professor Mussa Assad, Controller and Auditor General of Tanzania, I have the honour to introduce the main findings from the report of the Board of Auditors on the financial statements of the United Nations Framework Convention on Climate Change (UNFCCC) for the period ended 31 December 2016.

The German Federal Court of Auditors feels honored to contribute to the objectives of this esteemed organization.

Ladies and Gentlemen

This is the first time ever that a member or a representative of the Board of Auditors is presenting the report to an organ of UNFCCC, which is here the Subsidiary Body for Implementation. Let me take the opportunity to thank you and the Secretariat for giving us the floor. While this step has been taken following a recommendation stemming from our audit, I really appreciate that the recommendation has been implemented right away.

We audited the financial statements and reviewed the operations of UNFCCC for the year ended 31 December 2016. The audit was carried out at the Organization's headquarters here in Bonn, Germany. We duly considered the responses received from the Secretariat to the draft Report and adequately reflected them in the final Report.

### **Audit Opinion**

The Board has issued an unqualified opinion on the financial statements for the period under review. "Unqualified" in the language of the auditors means that we have no objections against the statements. They are free of material errors.

### **Overall conclusion**

At the end of 2016, the Organization had 420 staff. It had accumulated surplus and reserves of almost \$123 million. For the third year in a row, the Organization showed a deficit.

The deficit however has been distinctly reduced from \$43 million in 2015 to \$17 million in 2016.

In that context, though not part of our formal recommendations, we want to note that the total contributions receivable increased from \$5.5 million Dollars as at December 2015 to \$7.1 million as at December 2016. That means, UNFCCC has an asset in form of a claim, but the claim has not been settled yet, or plainly spoken the promised "cash" is still missing. We consider taking up this point for the "analytical" part of the 2017 audit in the context of organizational sustainability.

Ladies and Gentlemen

The Secretariat has pursued its efforts to implement the recommendations of the Board. The Board noted that out of the total 11 recommendations that were pending, 7 had been implemented, 3 were under implementation and 1 was not implemented. The implementation rate shows an increase compared to the previous year. The previous year, 40 per cent were fully implemented and 60 per cent were under implementation.

And now to come:

### **the Key Findings in the Long Form Report**

While acknowledging the progress achieved by the Secretariat, the Board found some weaknesses that merit attention. These are in detail:

### ***Treatment of the Board's report***

With regard to the treatment of the Board's report, we noted differences in its treatment in comparison to other United Nations entities, although comparable rules apply.

In particular, the audited financial statements used to be submitted to the Conference of Parties where the Board is not represented.

The Board noted that, in contrast to other United Nations entities, UNFCCC did not have a committee dedicated to financial and budget issues. The Board sees merits for both sides if the Parties are in a position to contact the representatives of the Board. Pursuant to international standards, auditors should provide those charged with governance with timely observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process. Therefore, we urged UNFCCC to establish a process to enable the presentation of the Boards' report to those charged with governance. We are pleased to note that UNFCCC agreed with the recommendation and the secretariat has made the necessary arrangements. We are confident that this session has been the kick-off for a continuing practice.

### ***Weaknesses in recognizing accruals and multi-year voluntary contribution***

In the field of finance, the Board noted that the UNFCCC International Public Sector Accounting Standards Policy Framework on recognition of multi-year voluntary contribution was not in line with the IPSAS Framework.

Based on its findings, the Board has made a number of recommendations aiming at redressing the weaknesses identified and improving governance and financial management of the Organization.

Let me now turn to our relevant findings in the area of personnel management.

### ***Staff payments on separation***

In the last two years, two departments of UNFCCC went through a restructuring. As a result, 66 posts were abolished. In this situation, the Board found grants paid out, though within a scope of discretion, but outside the purpose of the staff rules:

- For staff members whose posts are abolished for operational reasons, the applicable notice period in accordance with the Staff Rules and Regulations is a minimum of 30 calendar days for fixed-term appointments. We noted that UNFCCC determined a 90-day notice period to the affected staff which exceeded multiple times the minimum notice period.

The staff members affected were placed on special leave with full pay during the notice period. This arrangement of UNFCCC led to an amount of the compensation payments threefold the payments of the regular notice period as laid down in the Staff Rules and Regulations.

- In addition, separation payments due to restructuring reasons were granted beyond our interpretation of the staff rules. At the beginning of the restructuring process, UNFCCC developed a guideline for the implementation of the new structure. The guideline included various measures designed to ease the separation of affected staff and to avoid the separation of staff which was still qualified for UNFCCC's needs. The guideline stipulated that affected staff who applied for vacancies posted during the notice period should be treated with priority, with a 14-day period for the selection decision.

We found cases in which staff members whose contracts had terminated received the termination and separation grants and then were re-employed a short time later. These cases were neither eligible to priority selection nor did the 14-day mark apply. We are of the opinion that the rules provide termination indemnities only if a further employment is not considered. Also, the reviewed cases were not supported by proper documentation.

- Among repatriation payments we found cases with insufficient evidence as to whether the respective staff members were eligible to the repatriation grant. In one case, an attestation issued by the beneficiary itself did not meet the requirements of the relevant provision. While UNFCCC confirmed some of the shortcomings, it asserted that payment of repatriation grants was covered by its scope of discretion. In the Board's view, the grants were paid without sufficient evidence. The Board recommended that UNFCCC consult the Office of Legal Affairs and the Office of Human Resources Management to gain better insight on the quality of evidence required.

### ***Personnel records***

Personnel records also showed weaknesses, in particular a lack of documentation.

### ***ICT Business Continuity***

We detected weaknesses in ICT Business Continuity management. In the existing business continuity plan, it was not documented what information and communication technology systems were needed to continue critical business processes. There was no procedure in place that would have provided detailed instructions in the case of emergency.

## ***Cross-cutting themes***

We also reviewed the cross-cutting audit themes “accessibility for persons with disabilities” and “implementation of the Sustainable Development Goals”.

- We found that UNFCCC did not formally designate a focal point on disability and accessibility issues.
- On Sustainable Development Goals, the UNFCCC secretariat stated it was developing a strategy for the implementation of the Paris Agreement, which was directly linked to the Sustainable Development Goals, in particular to number 13, Climate Action.

Ladies and gentlemen. Our work as auditors is to give advice. We are here to help improve the Secretariat’s work. On a broader scale, our mission is to support your mission. Hence, I wish the COP 23 all the success.

Mr. Chairman and Distinguished Delegates, this concludes my statement. My staff members and I will be happy to respond to the questions you may have.

**Kay Scheller**  
**President of the German Federal Court of Auditors**  
**(Lead Auditor)**