

UNITED NATIONS BOARD OF AUDITORS

Seventy-third (2019) Regular Board Session

United Nations Headquarters New York

Conference Room 5

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Agenda item 9e: **Press Release on the Board's findings**

UNITED NATIONS BOARD OF AUDITORS HOLDS
SEVENTY-THIRD REGULAR SESSION AT UN HEADQUARTERS,
NEW YORK FROM 24-25 JULY 2019

The Board comprises Mr. Kay Scheller, President of the German Federal Court of Auditors (Chairman), Mr. Rajiv Mehrishi, Comptroller and Auditor General of India, Mr. Jorge Bermudez, Comptroller General of the Republic of Chile. Each member has a non-consecutive tenure of six years.

The Board has approved 24 reports at this session, the United Nations peacekeeping operations/PKO report in January, and the Audit Operation Committee (AOC) approved an additional 3 reports on the Board's behalf, resulting in the issuance of a total of 28 reports in 2019.

The Board of Auditors audited the financial statements and reviewed the operations of 18 organisations. All 18 entities received unqualified audit opinions. Only Peacekeeping Operations (Volume II) received an unqualified opinion with an emphasis of matter. The Board observed from the analysis of the financial statements of the 17 audited entities¹ that 13 entities² closed the financial year with a surplus, while 4 entities³ recorded a deficit.

The Board noted that liquidity of the regular budget was low during 2018, and that borrowings from the working capital Fund in 2017 could not be repaid in 2018. The solvency ratios and liquidity ratios were comfortably high in most of the entities and, in the case of entities in which these ratios were near 1:1 or less, there was no other immediate threat to their solvency. However, the Board further noticed that UN PKO and UNOPS had cash ratios of less than 1:1, which indicates pressure on the liquidity side. For UN PKO, it is significantly below 1 (0.45). The main reason for this is non-payment of assessed contributions that leads to pressure on the liquidity side and a decreased cash ratio, even lower than 2017 (0.66).

¹ UNJSPF is not included because it follows International Accounting Standard 26 for the reporting framework and IPSAS for accounting treatments.

² United Nations (Vol. I), ITC, UNCDF, UNDP, UNEP, UNFPA, UNICEF, UNHCR, UNODC, UNOPS, UNRWA, UN-Women and IRMCT.

³ UN PKO, UN-Habitat, UNITAR, and UNU.

As at 31 December 2018, a total of 8 entities⁴ covered in the present report were participating in the investment pool maintained by the United Nations Treasury which manages total assets of \$7.38 billion under its investment pool. Similarly, 5 entities⁵ covered in the present report having investment resources under the management of UNDP. As cash balances and the number of accounts, transactions and payment currencies increase, there is a greater need for professional management of the cash and investments, so that risks and returns are properly managed.

The United Nations entities have significant employee benefits liabilities. For 12 entities, such liabilities were more than one quarter (25 per cent) of total liabilities, for 7 entities they were more than half of the total liabilities. For UN Vol. I, UNITAR, UNHCR and UNRWA, the employee benefit liabilities were even higher than 75 per cent, with UNRWA reaching a percentage of 88.18. However, employee benefit liabilities increased over the past year for 3 entities⁶ and decreased for 15 entities and were among the major liabilities for most entities. The main reason for the decreases was higher discount rates used in the actuarial valuations.

The Board noted that the highest amounts for After Service Health Insurance (ASHI) for 2018, with accounts of more than \$1 billion, were with UN (Vol. I), Peacekeeping (Vol. II), UNDP and UNICEF.

The Board has also presented a snapshot on the UN's management reform, particularly in the most affected entities the Secretariat incl. Peacekeeping Operations and UNDP. The Board does not express an audit opinion on the reform as such until the audit of 2019, which will be reported in 2020, to provide time for implementation of the reforms.

The Board of Auditors' reports will be published by August/September 2019 and will be available on the Board's website(<http://www.un.org/en/auditors/board/>) and the Official Document System of the United Nations (<https://documents.un.org/prod/ods.nsf/home.xsp>).

⁴ UN (Vol. I), UN PKO, ITC, UNEP, UN Habitat, UNODC, UNU and IRMCT.

⁵ UNCDF, UNDP, UNFPA, UNITAR and UN-Women.

⁶ UNITAR, UNOPS and IRMCT increased.