

Statement of the Chairman of the Advisory Committee on Administrative and Budgetary Questions

Financial reports and audited financial statements and reports of the Board of Auditors for the period ended 31 December 2011

Reports of the Board of Auditors: A/67/5 (Vol I, III, IV and V), Add. 1-13, A/67/9, A/67/164, A/67/168 and A/67/173

Reports of the Secretary-General: A/67/319 and Add.1

(ACABQ report: A/67/381)

Mr. Chairman,

I am pleased to introduce the Advisory Committee's report (A/67/381) on the financial reports and audited financial statements and reports of the Board of Auditors for the period ended 31 December 2011.

The Board of Auditors continues to submit reports of high quality which are well structured and easy to read. The Board's concise summary of principal findings and conclusions highlights issues of concern and those of a cross-cutting nature. The Board's submission of topic-specific reports on the capital master plan, the implementation of the United Nations enterprise resource planning system (UMOJA) and the implementation of the International Public Sector Accounting Standards (IPSAS) should be of particular interest to this Committee. Those reports highlight the progress in and challenges of managing business transformation across the organization.

For the biennium ending 31 December 2011, 17 UN entities were audited by the Board. It is worth noting that none of the audited entities have received a qualified audit opinion from the Board. However, in the case of two entities – UNRWA and UN-Women – the Board drew attention to specific matters of concern, but not rising to the level of a qualification. This represents an improvement on the previous biennium. As the Board has pointed out, this is partially due to the application of stricter criteria under the revised International Standards on Auditing.

Mr. Chairman,

The Advisory Committee reiterates the importance of full and rapid implementation of the Board's recommendations. The Committee highlights the need for greater management attention to address the root causes of the problems identified by the auditors. In particular,

the Committee notes that the Board has made repeated observations on different cross-cutting issues, such as the treatment of end-of-service liabilities and adequacy or lack thereof in controls relating to non-expendable property, that remain unresolved.

The Board's reports provide complete details on its findings. At this time, I simply like to highlight five issues.

First, the Board continues to make observations about the status of preparations of the United Nations and its funds and programmes in implementing IPSAS. The Board notes that significant progress had been made, with implementation on track in seven funds and programmes. It is concerned however that four entities (the UN Secretariat, its peacekeeping operations, UN-Women and the United Nations University) were at high risk of not meeting the target implementation dates for production of IPSAS-compliant financial statements. The Committee recommends that extra effort be exerted in each of the entities where problems have been identified by the Board.

Second, the Board comments on the fact that the UN is currently implementing a number of large-scale business transformation projects simultaneously, all of them immensely challenging in scope but also of great significance in modernizing the Organization. They include UMOJA, IPSAS, the Capital Master Plan – all of which are the subject of individual topic-specific audit reports. In general terms, the Board highlights the need for a realistic assessment of the Organization's ability to absorb these fundamental changes, while continuing to deliver its ongoing mandates. The Board also points out that a clearly articulated, coherent end-state vision for change is required for projects of this nature, along with more complete and transparent reporting of costs from the outset and more effective internal governance mechanisms. The Advisory Committee expects that the lessons learned from these experiences will be incorporated into other ongoing and future projects of a similar nature.

Third, the Board has again found serious problems in the United Nations' implementation of results-based budgeting and results-based management, particularly that work plans are not aligned with the Organization's strategic goals and that indicators of achievement are not always focussed on delivering concrete outcomes. The Advisory Committee notes that opportunity to introduce improvements into the 2014-2015 strategic framework has been missed, which raises serious concerns about the purpose and value of the task force that was constituted by the Secretary-General in 2011 to develop a conceptual framework for results-based management. The Organization's implementation of results-based budgeting has also been the subject of repeated concern. The Committee expects that improvements will be reflected in the strategic framework for 2016-2017 to be reviewed by the competent body.

Fourth, the Board has raised concerns over the weak controls over monies provided to third parties by OCHA, coupled with gaps in effective project oversight. The Committee notes that this is very similar situation to previous observations raised by the Board over nationally-executed projects, particularly in the funds and programmes with extensive field presences. In the biennium under review however, the Board acknowledges improvements on the part of UNFPA and UNHCR in particular in their management of such projects. The Committee

recommends that lessons learned from these experiences be applied to all field-based operations.

Fifth, the Board has made observations about the adequacy of existing internal auditing arrangements at UNHCR, UNU and UNITAR. The Advisory Committee believes that this might be reflective of a problem of a more fundamental nature. The Committee looks forward to a full analysis of the alternatives available to different entities to improve internal audit capacities, bearing in mind OIOS remit under GA Resolution 48/218B. The Committee also shares the Board's view that OIOS should finalize its report to the General Assembly on the optimal structure and resourcing of its investigation capacity in a timely manner.

Mr. Chairman,

I would like to conclude by also highlighting the impact of the introduction of the IPSAS, including the work of the General Assembly itself. With the roll-out of the new system in several entities as early as 2013, the Advisory Committee points out that there will be a significant increase in the number of reports prepared by management for examination by the Board, along with increased time requirements for review of these reports by the intergovernmental bodies. It is therefore the Committee's firm view that this matter requires urgent attention.

Thank you Mr. Chairman

