

**BOARD OF AUDITORS**

**NEW YORK**

Phone: (212) 963-5623

**Statement made to the COP 13 Bureau on the Report of  
the Board of Auditors on the financial statements of the  
United Nations Convention to Combat Desertification to  
the COP 13 Bureau  
[Bonn, 11 April 2018]**

Mr President,

Distinguished Members of the COP 13 Bureau,

Ms Executive Secretary,

Today I have the pleasure to speak to you in my capacity as lead auditor. I have the honour to present the key findings of the report of the Board of Auditors on the financial statements of the United Nations Convention to Combat Desertification (UNCCD) for the period ended 31 December 2016. I will do so on behalf of the entire Board comprising, apart from me, Mr Rajiv Mehrishi, Chair of the Board of Auditors and Comptroller and Auditor General of India, and Professor Mussa Assad, Board member and Controller and Auditor General of Tanzania. The German Supreme Audit Institution feels honoured to contribute to the objectives of this esteemed organization.

Ladies and Gentlemen,

This is the first time ever that a member of the Board of Auditors can present its report to a body of UNCCD, that is here the COP 13 Bureau. 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 promptly implemented to take effect.

Ms Barbut has kindly asked me to first briefly introduce the Board of Auditors to you.

The Board was established in 1946 by the United Nations General Assembly. Its purpose is to perform an annual audit of the accounts of the United Nations. In addition, the Board may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management. The Board is composed of the heads of the Supreme Audit Institutions of three United Nations Member States. The respective mandate of each member lasts six years. The Board currently comprises the Comptroller General of India, the Comptroller General of Tanzania and myself as the President of the German Supreme Audit Institution. At the end of June 2018, Tanzania's term will come to an end and Chile will be the new Board member.

Currently, there are more than 20 United Nations entities covered by the audit mandate of the Board and each of the three Board members assumes the lead role in auditing a particular number of entities.

I am the lead auditor for the peacekeeping operations. Within the United Nations Secretariat, I am responsible for procurement, the United Nations Office at Geneva, the Strategic Heritage Plan at Geneva, and the Office of the High Commissioner for Human Rights. I have lead responsibility for the United Nations High Commissioner for Refugees, the United Nations Office on Drugs and Crime, the United Nations University and the Institute for Training and Research, for your neighbours, the United Nations Framework for Combating Climate Change, and for you, the United Nations Convention to Combat Desertification.

Ladies and Gentlemen,

Now let me turn to our audit report. We audited the financial statements and reviewed the operations of UNCCD for the year ended 31 December 2016. We carried out our audit work 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 64 staff. It had accumulated surplus and reserves of 6.6 million USD. The Organization had a surplus of 2.75 million USD for 2016. What you should bear in mind is that the surplus mainly stems from voluntary contributions. Such contributions are earmarked. This means that their use is limited to a specific purpose.

Ladies and Gentlemen

The Secretariat has pursued its efforts to implement the recommendations of the Board. The Board noted that out of a total of 11 recommendations that were pending, 4 had been implemented, 4 were under implementation and 3 were overtaken by events.

While acknowledging the progress achieved by the Secretariat, the Board found some weaknesses that merit attention. I will talk about them more:

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

I will start with 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 every two years where the Board is not represented.

The Board noted that, in contrast to other United Nations entities, UNCCD 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 from the audit that are significant and relevant to their responsibility to oversee the financial reporting process. Therefore, we urged UNCCD to establish a formal process to ensure that we can present the Boards' report to those charged with governance. We are very pleased to note that UNCCD agreed with the recommendation. We are confident that this session has been the kick-off for a good practice.

The Secretariat provided our reports on the financial statements of UNCCD for the years ended 31 December 2015 and 2016 to the parties at COP13. In Decision 10, COP 13 took note of the observations made by the Board of Auditors in its report on the financial statements for the year ended 31 December 2016. COP 13 requested the Executive Secretary to implement the recommendations, as appropriate. So we will continue to stay in close contact with the Secretariat in order to

develop a solution for bringing into line the issue of biannual COPs with annual financial statements and audit reports.

Let us move on to the implementation of IPSAS and issues in the financial statements.

### ***Implementation of IPSAS and issues in the financial statements***

While since 2014 UNCCD has prepared its financial statements annually in accordance with IPSAS since 2014, the financial rules still state that the financial period should be a biennium. COP 13 acted on this; the financial rules have already been amended accordingly.

The Board found several technical and format-related weaknesses such as wording, presentation of figures and other explanations which had to be amended, modified and/or clarified. Also, UNCCD did not group classifications and sub-classifications consistently. As a result, UNCCD had to reclassify expenses related to consultancies in the amount of 3.6 million USD.

I'd now like to look at the delegation of authority.

### ***Delegation of authority***

The Board noted that the agreement for administrative support including delegations of authority between the United Nations Secretariat and UNCCD from 1998 was out-dated. The relationship between the entities was not clear.

Let me now turn to our key findings on consultants and individual contractors.

### ***Consultants and individual contractors***

The Board noted that UNCCD had a rather high number of consultants and individual contractors. In cases where such services are needed for a longer period of time, we thought it would be more appropriate to assign such tasks to temporary staff members.

To address this issue, UNCCD needs to have in place relevant principles and guidelines. Such guidance will be helpful in supporting the decision-making as to whether it is more appropriate for temporary staff or consultants and individual contractors to perform the relevant tasks.

I would now like to turn to the Information and Communication Technology (ICT) strategy.

### ***Information and Communication Technology strategy***

The Board found that UNCCD had not set up an ICT strategy. This might pose a risk to making effective use of ICT for enhancing its business processes.

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

We also reviewed the two cross-cutting audit themes “implementation of the Sustainable Development Goals” and “accessibility for persons with disabilities”. We found that UNCCD had not formally designated a focal point on disability

and accessibility issues. We acknowledge that the Secretariat has now acted on this point.

## **Audit of the financial statements as per 31 December 2017**

Ladies and gentlemen,

These have been the key findings taken from our report on the year 2016. Now, the audit of the year 2017 has been launched. Our professional standards also require us to communicate the planned scope of the audit to those charged with governance. Let me take this opportunity to provide to you some information on this year's audit focus. This year, our focus is placed on the implementation of the anti-fraud and anti-corruption framework; the use of consultants and individual contractors; and safety and security.

Ladies and gentlemen.

Before I conclude my statement, I wish to make the following point. The purpose of our work 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 Organization, the Secretariat and the COP Bureau every the success.

Mr President, Distinguished Members of the COP Bureau, Ms Executive Secretary, I have reached the end of my statement. My staff and I will be happy to respond to any questions you may have.



Thank you very much for your kind attention.

**Kay Scheller**  
**President of the German Supreme Audit Institution**  
**(Lead Auditor)**