

**Statement of the Chairman of the Advisory Committee on Administrative and Budgetary Questions (11 October 2013)**

**Financial reports and audited financial statements and reports of the Board of Auditors for the period ended 31 December 2012**

*Reports of the Board of Auditors: A/68/5(Vol. V), Add. 1-3, 5, 7, 10, 13, 14 and on UNJSPF (to be issued), A/68/161, A/68/151 and A/68/163*

*Reports of the Secretary-General: A/68/350*

*(ACABQ report: A/68/381)*

Mr. Chairman,

I am pleased to introduce the Advisory Committee's report (A/68/381) on the financial reports and audited financial statements and reports of the Board of Auditors for the year ended 31 December 2012.

The Board audited 9 UN entities, and issued unqualified audit opinions in all cases. Only UNICEF received an emphasis of matter. This represents an improvement over the reports issued by the Board for the biennium ended 31 December 2011.

The Advisory Committee will comment on the Board's topic-specific reports on the capital master plan, and the implementation of the United Nations enterprise resource planning system (Umoja), and of IPSAS, in its individual reports.

Mr. Chairman,

It is worth noting that the financial year ended 31 December 2012, marked a transition for the Board's reports since not all UN entities had completed IPSAS implementation. In this connection, I would like to inform this Committee that the Advisory Committee concurs with the Board's proposal of combining from 2014 onwards, the concise summary of principal findings and conclusions of its current audits with a statistical and summarized qualitative analysis on the status of implementation of its prior-period recommendations. This is done on the Board's assurance that the quality and quantity of information provided would continue to be as in the past.

I must also mention that in the Advisory Committee's view, the high acceptance rate of the Board's recommendations by the Administration reflects a productive collaboration between the two sides, and the Advisory Committee commends the efforts made in this regard.

On the substantive contents of the Board's reports, let me take this opportunity to highlight four specific issues, particularly relevant in the Advisory Committee's view:

First, the Board points out three significant risk areas that are cross-cutting and require the attention of the Administration. According to the Board, there is need for: (i) enhanced control and monitoring over implementing partners working on behalf of UN entities; (ii) strengthened core business functions through enhanced staff skills and (iii) enhanced oversight and governance for globally dispersed operations and an appropriate balance between delegated

authority and headquarters' monitoring. The Advisory Committee stresses the importance of addressing these three issues.

Second, I want to emphasize the Board's contribution in providing the Organization with an initial impression of the impact of IPSAS implementation by the 9 entities under review. The financial statements for these entities are now seen from a new standpoint. The financial ratios provided by the Board constitute a new basis for assessing the financial positions of the entities.

It is noteworthy that the Board considers the preparation of IPSAS-compliant financial statements by these nine entities to be a significant achievement. Nevertheless, the Board emphasizes the need for strong internal processes for the production of financial statements under IPSAS. The Advisory Committee expects that concerted efforts to sustain IPSAS will continue to be made by each of the entities.

Third, the Board has raised concerns relating to the increasing unfunded portion of end-of-service liabilities, including after-service health insurance (ASHI). The introduction of IPSAS in the United Nations has led to an increased attention on the matter of the end-of-service liabilities, including ASHI.

Fourth, the Board's specific observations for each of the entities include existing weaknesses in areas such as disputed inter-fund balances, procurement and project implementation. The Advisory Committee makes comments on entity-specific issues, which

include procedural lapses in ex-post-facto procurements at UNFPA, long outstanding balance disputed between UNOPS and UNDP and slower than targeted rate of project implementation by UN-Women. The Advisory Committee also makes a number of comments on the recurring matter of the cooperation agreements between UNICEF and its partners, National Committees and on the related issues arising out of these partnerships.

Mr. Chairman,

I would like to conclude by noting the Board's valuable analysis in the context of IPSAS implementation. The Advisory Committee believes that this kind of analysis would prove useful in assessing the financial health of the audited entities and recording future trends in this regard.

Thank you Mr. Chairman.