United Nations Nations Unies

BOARD OF AUDITORS
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Opening statement to the Fifth Committee

Introduction to the United Nations Board of Auditors reports on eight entities for financial year ended 31 December 2012, the biennial report on the Status of Implementation of Recommendations (A/68/163).

11 October 2013

Dear Chairman,

Distinguished delegates,

On behalf of the Chairman, Mr. Amyas Morse, and the other Board members, Mr Liu Jiayi and Mr Ludovick Utouh, I have the honour to introduce the Board's reports on eight entities for financial year ended 31 December 2012[1], and the biennial report on the Status of Implementation of Recommendations (A/68/163).

ON THE EIGHT FUNDS AND PROGRAMMES

In 2012 the eight entities successfully and for the first time produced IPSAS-compliant financial statements.. Each entity achieved an unqualified audit opinion. Although, not covered in this opening statement, the United Nations Joint Staff Pension Fund (UNJSPF) also obtained a clear audit opinion in its first year of IPSAS implementation. This was a significant achievement and a positive step towards modernising UN entities business administration. UNICEF received an emphasis of matter, drawing attention to enhanced disclosures of its accounting treatment for revenue received from National Committees.

[1] UNDP (A/68/5 Add.1), UNCDF (A/68/5 Add.14), UNFPA (A/68/5 Add.7), UNOPS (A/68/5 Add.10), UNHCR (A/68/5 Add.5), UNICEF (A/68/5 Add.2), UNRWA (A/68/5 Add.3), and UN-Women (A/68/5 Add.13).

There are a wide range of findings in the reports. Some are entity specific. For example, we again highlight the need for UNICEF to strengthen its oversight over National Committees. Despite the action taken by UNICEF on the Board's previous recommendations, we continue to observe, for example, high levels of fund retention and accumulated reserves at National Committees indicating the ongoing need for strengthened monitoring and challenge by UNICEF.

There are also a range of common themes and weaknesses. For example, we note continuing and significant weaknesses identified in the control of inventory. We consider that the introduction of IPSAS is now forcing management to address these longstanding weaknesses. For example, at UNHCR, IPSAS implementation has revealed the full extent of problems at many of the country offices in terms of inventory management, providing UNHCR management with a much better understanding of what it needs to do to rectify the situation. We stress that action is urgently required, not only because of current pressures, but because the nature and importance of UNHCR's work requires a highly cost-effective supply management function.

Other common themes in the reports include:

1) Continued deficiencies in the control and oversight of implementing partners. We consider this indicates ongoing weaknesses in the level of assurance available to management about whether funds have been used for the purposes intended; and it also exposes entities to increased risks of fraud and poor value for money. The Board has launched an in-depth examination of these issues to be reported in 2014.

2) The need for enhanced corporate oversight, accountability and governance over field operations. The Board has noted over recent years varying problems in striking the right balance between providing sufficient flexibility, responsiveness and delegated authority to the field versus the level of monitoring, intervention and oversight by headquarters functions. This is a theme that emerges again in this current suite of reports. We consider that the Administration's need to more systematically document their internal control and accountability frameworks,

assess the fitness for purpose, and determine whether they are operating consistently and as intended.

3) Continuing deficiencies in important business functions such as procurement, human resource management and finance. While not systemic, they point to the need for enhanced skills and expertise in these functions, as well as enhanced empowerment of skilled managers to be able to add value to activities rather than simply focusing on the processing of large volumes of transactions.

4) Finally, we also note deficiencies in the operation of controls in IT systems across many entities.

ON THE STATUS OF IMPLEMENTATION OF RECOMMENDATIONS

In accordance with GA resolution 52/212B this report provides an update on the status of implementation of recommendations made in biennium 2010-11 as at 31 March 2013, nine months after the recommendations are formally communicated to organisations.

The report covers in detail the nine entities on which the Board still reports on a biennial basis (UN, UNODC, UNEP, UN-Habitat, ITC, UNU, UNITAR, ICTY, and ICTR). Our reporting on implementation of previous recommendations at entities that implemented IPSAS in 2012 is contained in each entity specific report as these are now produced on an annual basis (UNDP, UNCDF, UNFPA, UNOPS, UNHCR, UNICEF, UNRWA, UN-Women, and UNJSPF). At Annex 1 of the report we do, however, provide a comparative analysis of progress on recommendations against all fifteen entities.

Key points to note

The implementation of recommendations in the nine entities is broadly comparable with the previous biennia. The overall proportion of the 139 recommendations made in the biennium 2010/11 fully implemented was 41 per cent for 2010-11, compared to 46 per cent in 2008-09. A further 55 per cent of recommendations (48 per cent, 2008-09) were under implementation, leaving four per cent on which management made no progress or were overtaken by events (six per cent, 2008-09).

The entities have engaged substantively with the recommendations and are tackling the issues raised appropriately. While there was a marginal increase in the overall proportion of partially implemented recommendations, over a third relate to the implementation of multi-year transformation projects such as IPSAS. Additionally, aging analysis shows on average that 82 per cent of recommendations made in biennium 2008-09 were fully implemented by March 2013, thirty three months after first being issued. This is a good result.

In light of previous Fifth Committee interest we include a qualitative analysis of a number of common themes apparent in the suite of recommendations (paragraphs 22-26). This includes, for example, the need for enhanced and integrated supply management to address longstanding deficiencies in procurement and asset management.

From 2014 onwards, with the adoption of full annual reporting, the Board will cover the status of implementation of recommendations in each entity specific report, removing the rationale for an interim report on the status of implementation. We therefore recommend that this is the last report on the status of implementation of recommendations, and that the Board prepares instead an annual "Concise summary of principal findings and conclusions" from 2014 onwards. We envisage the Concise Summary will, as now, include commentary on rates of implementation and other trends in relation to the Board's recommendations.

Chair, this concludes my introduction. The Audit Operations Committee will as ever be available to answer any questions during the informal session of the Committee.

Thank you.

Hugh O'Farrell
Director of External Audit (UK)
Chair of the Audit Operations Committee