

**BOARD OF AUDITORS**

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**Opening statement to the Fifth Committee  
on the Reports of the Board of Auditors on Concise Summary, Volume I, ITC,  
UNCDF, UNDP, UNEP, UNFPA, UN-Habitat, UNICEF, UNITAR, UNHCR,  
UNODC, UNOPS, UNRWA, UNU, UN-Women and IRMCT.**

Mr. Chairman, distinguished delegates,

On behalf of the Board of Auditors, I have the honour to introduce the main findings from the Board of Auditors Concise Summary and the reports for the audit of Volume I, ITC, UNCDF, UNDP, UNEP, UNFPA, UN-Habitat, UNICEF, UNITAR, UNHCR, UNODC, UNOPS, UNRWA, UNU, UN-Women and IRMCT for the period ended 31 December 2019.

Let me start with the Concise Summary report to give you a short overview.

**Concise Summary Report**

The Concise Summary report (CS) summarizes the key issues of the audits in the Board's reports addressed to the General Assembly on 18 entities including 16 entities that I have mentioned above plus the UN Peacekeeping Operations and UNJSPF.

***Audit Opinions***

All these entities received unqualified audit opinions. Of those, UNHCR and UNFPA received an unqualified opinion with an emphasis of matter. The reason for the "Emphasis of matter" was due to the impact of the Covid-19-Pandemic.

### ***Financial Performance***

11 entities closed the financial year with a surplus. 6 entities, namely, UN PKO, UNDP, UN-Habitat, UNHCR, UNRWA and IRMCT recorded a deficit. 4 entities recorded a deficit (UNDP, UNHCR, UNRWA and IRMCT) having a surplus the year before. In general, the financial position of all entities remained at least sufficient. The solvency ratios and liquidity ratios were comfortably high at most of the entities and, in the case of entities in which these ratios were near 1:1 or less, there was no immediate threat to their solvency. It is possible, however, that in a short-term perspective there might be pressure on the liquidity side.

### ***Key findings and recommendations***

The Board presents in the CS an overview of the key findings and recommendations coming from the financial and performance audits conducted by the Board in the past year. For further details and more explanations to all mentioned findings and recommendations the Board issued a long-form report on every United Nations entity.

### ***Implementation of outstanding recommendations***

In every audit report, the Board makes recommendations to address the deficiencies noticed on the basis of its examination in order to help improve the functioning of the entities audited. The Board reviewed the status of old recommendations and noted that the overall rate of implementation of the recommendations of last year had slightly increased from 39 per cent in 2018 to 41 per cent in 2019. Additionally, I included an overview for the implementation rate for every single UN entity covered in the CS.

### ***Status of the Secretary's-General's Reform agenda***

In 2017, The Secretary-General made proposals to reform the UN. This entails improvements in three reform pillars – management, peace and security, and development. While progress was made in 2019 with respect to these reforms, a number of further recommendations are outlined in the reports including improved systems for delegation of authority in Umoja, enhanced measurement of peacekeeping efficiency and effectiveness, and increased accountability for UN development system members. A more comprehensive summary of progress on the Reform Agenda can be found in the long-form reports.

### ***Impact of the Covid-19-Pandemic***

In 2019, none of the organizations covered by the CS were exposed to significant financial or non-financial impacts of the pandemic. With the subsequent global spread of the pandemic, the entities began to face operational challenges in 2020, as social distancing measures and travel restrictions were imposed. As the pandemic began to affect organizations only in 2020, data reported in the financial statements for the year 2019 were not affected. Some entities decided to disclose the pandemic in the notes to their financial statements as a non-adjusting material event after the reporting date, the impact of which cannot be reliably measured or assessed.

Social distancing measures and travel restrictions led the Board to conclude its financial and other audits remotely, although a number of field visits had been carried out earlier.

Now I would like to discuss some important findings from the different other reports:

### **Volume I**

#### ***Working Capital and Liquidity Management***

The borrowings from the Working Capital in the year 2019 could not be repaid owing to the insufficient liquid funds. Further, borrowings valuing \$202.8 million from Special Account were not repaid at the end of the year. The outstanding contribution was highest at year end 2019 in the last five years and the balance in the regular budget funds was the lowest. If the balances of Tax Equalization Fund and United Nations Development Fund which were used for managing the liquidity position of the regular budget by the Administration are considered, the liquidity position of the regular budget alters considerably. The common support funds too are not considered for regular budget liquidity, the reason for which was unclear.

#### ***Cost Recovery and Programme Support Cost***

The balance of the cost recovery fund increased by a \$100 million over last three years. There was wide variation in catalogue rates for similar activities among entities, instances of arbitrary change in active catalogue rates and lack of clarity on identification of staff whose costs are to be included in the cost plans and recovered. Cost plans of Programme Support Cost also did not have a standard template or granularity of details.

### ***Valuation of Defined End of Service Liabilities***

The Board noted errors in the Entry on Duty dates in a large proportion of test checked cases and advised that using UNJSPF data for actuarial valuation by the Administration is not a long-term solution.

### ***Implementation of Management Reforms***

The Board noted that a clear, codified division of roles and responsibilities at the micro and process level between DMSPC and DOS was yet to be formalized. The new Delegation of Authority framework did not include all entities. The Board noted that sub-delegations remained pending acceptance, for long in the DOA portal. Besides DOA portal lacked important validation checks. An initial set of 16 KPIs included in the accountability framework for monitoring the exercise of delegated decision-making authority needed to be reviewed and expanded. A comprehensive manual on RBM was still in the process for preparation.

### ***Implementation of Development Reforms***

Short achievement of \$57 million was noticed in 2019 against the target of \$281 million needed for functioning of the reinvigorated Resident Coordinators system. A significant shortfall in the amount of coordination levy. The regional and global Management and Accountability Frameworks were yet to be developed.

The Board noted the need for implementation framework of Mutual Recognition principles signed by 19 entities till now. Principles for measuring client satisfaction and Costing and Pricing principles were endorsed by only two agencies. There were risks of gaps in engagement and coordination between DCO and the BIG project Team at the design phase of Common Business Operations. Regarding the target of common premises, development of a new inter-agency premise database was still under way.

### ***Peace and Security Reforms in DPPA***

Peacebuilding Fund's (PBF) could not fulfil the target of outlay of \$500 million of strategic plan for 2017-2019.

### ***Humanitarian Affairs***

The Central Emergency Response Fund (CERF) Secretariat granted no cost extensions to 29 projects, requests for which were made after the original project completion date. There were delays noticed in submission of Interim Financial Reports (IFRs).

## **ITC**

Hiring process of consultants and individual contractors (CICs) was not competitive in 419 cases having 22 per cent contracted value. ITC has been relying significantly on low value acquisition where procurement processes are not rigorous. Total value of low value acquisition was \$7.11 million accounting for 34 per cent of total purchases. The Project completion reports (PCRs) were not submitted within the stipulated three months of their operational closure. Recommendations of the Independent Evaluation Unit on PCRs and project evaluation were also not acted upon in a time-bound manner.

## **UNCDF**

For UNCDF, the Board noted that UNCDF used the risk management platform as a risk register. For global and regional programmes, the risk management platform did not include risks identified in the countries where the programmes were implemented. The Board holds that such practices limit UNCDF from having a holistic risk appreciation for the risks in question.

## **UNDP**

For UNDP the Board noted UNDP's strong commitment and engagement on all inter-agency workstreams related to the United Nations development system reform. The Board holds that UNDP managed its contributions to the reform process effectively and coordinated across the organization supported by strong leadership of the Administrator and senior management.

Findings related to fraud prevention activities included for instance room for an enhanced integration of the fraud risk assessment in the overall enterprise risk assessment process of UNDP at country level. The Board also found that, despite related oversight recommendations, at the time of the audit, UNDP did not have a separate strategy document in place to complement implementation of its anti-fraud policy.

Furthermore, the Board followed up on matters of non-compliance identified in its previous report with regard to the UNDP internal control framework and noted that some compliance issues identified remained.

## **UNEP**

The Board examined six main areas of UNEP's activities in a crosscutting approach of its governance structure, identifying scope for improvement in UNEP Headquarters, its

Regional Offices, the Secretariat of the Convention on Biological Diversity and the Secretariat of the Bamako Convention.

## **UNFPA**

In the case of UNFPA, the Board noted room for improvement in the areas of procurement management, inventory management, programme management, cash transfers, travel management and the internal control framework. Giving the global situation of COVID-19, an emphasis of matter was included, regarding the coverage of assurance activities planned for the expenses incurred in 2019 related to implementing partners.

## **UN-Habitat**

The Board issued a number of recommendations in regard to voluntary contributions; implementation of projects: individual contractors; human resources; property, plant and equipment; procurement and accounts payable; travel management; office management; and ICT. Those areas need strong internal control and monitoring of activities in the country offices, regional offices and at Headquarters to ensure the efficient and effective delivery of the mandate of UN-Habitat.

## **UNICEF**

### ***Financial Management***

UNICEF classified 85 per cent of its ASHI investment portfolio of \$640.74 million as current investments which was not appropriate considering the nature of non-current investment with a long-time horizon to match the long term ASHI liability.

### ***Programme Management***

UNICEF Strategic Plan 2018–2021 describes five interlinked goal areas which together contribute to the 2030 Agenda for Sustainable Development. Goal Area 2- “Every Child Learns” is aligned to SDG 4. The Board noted that accelerated efforts were needed to meet three of the output indicators as the actual achievement was behind the targets for 2019. For another five output indicators, achievement against the various dimensions was not satisfactory for a number of countries.

### ***Management of Cash Transfers***

There were shortfalls in the achievement of programmatic visits under harmonized approach to cash transfers framework in 8 country offices and in spot checks in 17 country offices.

### ***Procurement, Inventory and Supply Chain Management***

Supply Division procured 10,289 standard materials worth \$2.26 billion out of which 818 standard materials worth \$105.5 million were not purchased under the long-term agreements (LTAs).

Inventory valuing \$54.40 million (28 per cent of total stock) was held in country warehouses for more than 6 months. 18 per cent of the supplies to be received from the suppliers were delayed. Liquidated damages were imposed only on one of the six major defaulting suppliers in case of one purchase order. 25.5 per cent of emergency orders were not delivered on time.

### ***VISION and InSight***

The Business Continuity Plan was not formally reviewed and updated after 2013 and the Disaster Recovery Plan was not updated since September 2016. No meeting of the Crisis Management Team was conducted after December 2018.

### ***Global Shared Services Centre***

A number of cases were returned by GSSC, with their number increasing progressively over the period September 2019 to December 2019. The per centage of cases returned was highest in the payroll area (47.71 per cent) followed by HR administration (23.11 per cent). The Board noticed instances of erroneous transactions processing.

### **UNITAR**

The Board identified deficiencies in the approval process of exceptions to non-standard full cost recovery rates; issues of non-compliances in the use of the Revolving Loan Fund; and absence of follow up on the risk assessment regarding conflict of interest in the Institute.

## **UNHCR**

The finances of UNHCR remained sound with high levels of liquid assets. However, UNHCR identified the coronavirus pandemic as a material subsequent event with an impact that could not be reliably measured or assessed. The Board highlighted associated uncertainties and constraints since UNHCR is highly dependent on voluntary funding by a limited number of ten top donors. Furthermore, the coverage of independent third-party audits of implementing partner expenses dropped significantly. The Board issued an unqualified opinion and included an emphasis of matter with regard to these two exceptional matters. In the report the Board set a focus on the decentralization and regionalization process. The Board made several other observations in the areas of after-service health insurance, inventories, implementing partners, global fleet management, UNOPS contractors, deployment of a new registration case management system and data protection. Overall the Board made 55 new recommendations.

## **UNODC**

The Board found that information present in Umoja on staff roles was not consistent with that on the delegations of authority for the staff role holders. Therefore, several travel approvals and purchase order approvals had been authorized by staff who had either not been conferred a delegation of authority or had not accepted the delegation conferred.

## **UNOPS**

### ***Investments under S3I***

UNOPS authorized investments worth \$ 58.8 million from its reserves in 2018, 2019 and 2020 without any formal governance structure. A Memorandum of Understanding (MOU) was signed with a private partner on direct selection basis without competition or reviewing alternatives, for these investments.

### ***Project Management***

UNOPS provided for performance security in 72 per cent of the works contracts and only 9 per cent in the non-works category. UNOPS also did not include liquidated damages provision in 81.55 per cent of non-works category contracts. 43 (8.60 per cent) of 500 projects operationally closed projects remained to be financially closed even after the mandated period of 18 months.

### ***Bangkok Shared Service Centre (BSSC)***

The use of BSSC by UNOPS partners has largely been restricted to administration of Individual Contractors (ICAs). Governance mechanism in UNOPS to identify services that could be considered for transfer to BSSC needed to be strengthened. The Board noted the need for a documented IT strategy aligned with the road map for augmentation of shared services by BSSC.

### **UNRWA**

In the case of UNRWA, the Board identified scope for improvement in the areas of operations and financial management: treasury and cash management; human resources management; relief and social services; procurement and contract management; ICT; and administrative support.

### **UNU**

In regard to the United Nations University (UNU), the Board identified scope for improvements in the areas related to voluntary contributions, project and travel management, and property, plant and equipment.

### **UN-Women**

For UN-WOMEN, the Board identified room for improvement in areas such as governance, ICT, procurement management, project management, human resources and travel management.

### **IRMCT**

In the case of the International Residual Mechanism for Criminal Tribunals (IRMCT), the Board issued recommendations in the areas of asset management, procurement management, human resources management, travel, ICT, and archives and records management.

This concludes my introductory statement. I would be happy to provide any clarification or additional information that the Committee may require.

Thank you.

A handwritten signature in blue ink, appearing to read 'P. Korn', is positioned above the printed name.

**Peter Korn**  
**Director of External Audit, Germany**  
**Chairman, Audit Operations Committee**