



## Framework Convention on Climate Change

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### Subsidiary Body for Implementation

Thirty-third session

Cancun, 30 November to 4 December 2010

Item 16 (a) of the provisional agenda

**Administrative, financial and institutional matters**

**Audited financial statements for the biennium 2008–2009**

## Report of the United Nations Board of Auditors

### Note by the Executive Secretary

1. The financial procedures of the Convention require that a final audited statement of accounts for the full financial period shall be provided to the Conference of the Parties as soon as possible after the accounts for the financial period are closed. They also stipulate that the accounts and financial management of all funds governed by these financial procedures shall be subject to the internal and external audit process of the United Nations (decision 15/CP.1, annex I, paras. 18–19).

2. The United Nations Board of Auditors has audited the financial statements for the biennium 2008–2009. The full text of the Board's report is attached as an annex and reproduced as received, without formal editing. The secretariat's response to the audit recommendations has been issued as addendum 1 to this document; the audited financial statements themselves have been issued as addendum 2.

3. The Subsidiary Body for Implementation is invited to take note of the information contained in the audited financial statements and the report of the Board. It may also wish to propose appropriate actions, which may be included in draft decisions on administrative and financial matters for adoption by the Conference of the Parties at its sixteenth session and the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its sixth session.



**Annex**



**United Nations**

# **Report of the United Nations Board of Auditors**

**on the Financial Statements of the**

**United Nations Framework Convention on  
Climate Change**

**for the biennium ended 31 December  
2009**



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## **Chapter I**

# **Report of the United Nations Board of Auditors to the Conference of the Parties on the financial statements of the United Nations Framework Convention on Climate Change for the biennium ended 31 December 2009**

### **Report on the financial statements**

We have audited the accompanying financial statements of the United Nations Framework Convention on Climate Change (UNFCCC) which comprise the statement of assets, liabilities, reserves and fund balances (Statement II) as at 31 December 2009; the statement of income and expenditure and changes in reserves and fund balances (Statement I), and the statement of cash flow (Statement III) for the biennium then ended; and the supporting statements, schedules and explanatory notes.

#### *Management's responsibility for the Financial Statements*

The Executive Secretary of UNFCCC is responsible for the preparation and fair presentation of these financial statements in accordance with the United Nations system accounting standards and for such internal control as management deems is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations Framework Convention on Climate Change as at 31 December 2009 and its financial performance and cash flows for the biennium then ended in accordance with the United Nations system accounting standards.

**Report on Other Legal and Regulatory Requirements**

Furthermore, in our opinion, the transactions of UNFCCC that have come to our notice, or which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations and the related annex, we have also issued a long-form report on our audit of UNFCCC.

Terence **Nombembe**  
Auditor-General of the Republic of South Africa  
Chairman of the United Nations Board of Auditors

**LIU Jiayi**  
Auditor-General of the People's Republic of China  
(Lead Auditor)

Didier **Migaud**  
First President of the Court of Accounts of France

30 June 2010

Chapter II

**Report of the Board of Auditors (Long-form report)**

*Summary*

The Board of Auditors (the Board) has audited the financial statements and reviewed the operations of the United Nations Framework Convention on Climate Change (UNFCCC) for the biennium ended 31 December 2009. The audit was carried out at UNFCCC's Headquarters in Bonn, Germany.

**Audit opinion**

The Board issued an unmodified opinion on the financial statements for the period under review, as reflected in Chapter I.

**Follow-up of previous recommendations**

Of the 13 recommendations made for the biennium 2006-2007, five (38 per cent) were fully implemented; seven (54 per cent) were under implementation; and one (8 per cent) was not implemented.

The Board evaluated the ageing of its previous recommendations and noted that, of the seven recommendations under implementation, one relates to 2002-2003 while six were in respect of 2006-2007. The recommendation that was not implemented relates to the write-off policy for long outstanding receivables on indicative contributions and was first made in the biennium 2004-2005. UNFCCC explained that in line with the practice followed at United Nations Headquarters, indicative contributions represent legal obligations of members of COP irrespective of collectability.

**Financial overview**

For the period under review, total income was \$225.25 million, compared with \$140.32 million for the previous biennium, an increase of 61 per cent. Total expenditure amounted to \$171.84 million, compared with \$100.17 million for the previous biennium, an increase of 72 per cent. This resulted in an excess of income over expenditure of \$53.41 million, compared with an excess of \$40.15 million in the preceding biennium.

All the selected financial indicators reflected improvements, except that the ratio of the unliquidated obligations to total liabilities showed an increasing trend. This was mainly due to the cost relating to the organization of additional sessions during the biennium and the operations of the clean development mechanism.

### **Statement of assets, liabilities, reserves and fund balances**

The assets of UNFCCC totalled \$156.81 million as at 31 December 2009, compared with \$83.50 million at the end of the previous biennium, an increase of \$73.31 million or 88 per cent. Total liabilities were \$41.50 million, compared with \$29.12 million at the end of the preceding biennium, an increase of \$12.38 million or 43 per cent.

Reserves and fund balances amounted to \$115.32 million, compared with \$54.39 million at the end of the previous biennium, an increase of \$60.93 million or 112 per cent.

Of the \$2 million outstanding contributions, \$585,207 or 29 per cent had been outstanding for more than three years.

UNFCCC had an equivalent of \$143.64 million in the investment pool, which is operated by UN Treasury at UNHQ. However, there was a need to formalize the agreement between UNFCCC and UN Treasury in relation to the investment.

### **End-of-service liabilities including after-service health insurance (ASHI)**

End-of-service liabilities as at 31 December 2009 amounted to \$18.47 million, compared with \$18.12 million as at the end of the previous biennium, an increase of \$0.35 million. This increase was mainly due to the revaluation of unused vacation days and repatriation benefits using actuarial calculations, as well as the inclusion of active staff in the determination of the UNFCCC's ASHI liabilities.

### **Non-expendable property management**

A number of shortcomings were noted in relation to the acquisition and recording of information communication technology (ICT) hardware. Although UNFCCC took corrective actions based on the audit, this matter highlights the need for the organization to pay greater attention to the management of non-expendable property.

### **Consultants, experts and temporary assistance**

A number of shortcomings were noted in relation to the engagement of consultants, experts and temporary assistance. These include the absence of written justification for exceptions to adhering to the established procedures; inadequate safeguarding of consultants' files; and the absence of experts' performance evaluation criteria.

### **Information technology**

There was a need for increase coverage in UNFCCC's website in relation to the six official languages of United Nations.

### **Internal audit function**

For the period under review, the Office of Internal Oversight Services (OIOS) conducted four audits at UNFCCC and issued 52 recommendations out of which 17 were implemented, 14 were under implementation. The remaining 21 recommendations were pending review by OIOS in terms of their status.

### **Disclosures by management**

UNFCCC has made certain disclosures at Section C of this report as regards write-off of losses of cash, receivable and property; ex gratia payments; and cases of fraud and presumptive fraud.

### **Recommendations**

The Board has made several recommendations based on its audit. The main recommendations are that UNFCCC:

- (a) Consider formulating and implementing a write-off policy for long outstanding contributions;
- (b) Formalize an agreement with UN Treasury for its deposit in the investment pool;
- (c) Carry out periodic physical verification of all non-expendable property and reconcile the results with the related records;
- (d) Comply with the requirements of ST/AI/1999/7 relating to the minimum number of candidates to be considered for assignments; and
- (e) Develop a plan to increase the number of the UN official languages used on its website.

The Board's other recommendations appear in paragraphs 39, 50, 53 and 55 of this report.

## **A. Mandate, scope and methodology**

1. The Board of Auditors (the Board) has audited the financial statements of the United Nations Framework Convention on Climate Change (UNFCCC) and has reviewed its operations for the financial biennium from 1 January 2008 to 31 December 2009 in accordance with General Assembly (GA) resolution 74 (I) of 1946. The audit was conducted in conformity with Article VII of the Financial Regulations and Rules of the United Nations (UNFRR) and the annex thereto, as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of the UNFCCC as at 31 December 2009 and the results of its operations and cash flows for the financial biennium then ended, in accordance with the United Nations system accounting standards. This included an assessment as to whether the expenditures recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether income and expenditures had been properly classified and recorded in accordance with financial procedures approved by the Conference of the Parties in Decision 15/CP.1 and the Financial Regulations and Rules of the United Nations (UNFRR). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of the UNFCCC operations under UN financial regulation 7.5. This requires the Board to 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 of the UNFCCC operations. The Board also followed up on previous recommendations and these matters are addressed in the relevant sections of this report.

4. The Board continued to report the results of audits to the UNFCCC in the form of management letters containing detailed observations and recommendations. This practice allows for ongoing dialogue with the Administration. In this regard, one management letter was issued covering the period under review.

5. The Board coordinates with Office of Internal Oversight Services (OIOS) in the planning of its audits to avoid duplication of efforts and to determine the extent of reliance that could be placed on latter's work.

6. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the Conference of the Parties (COP). The Board's

observations and conclusions were discussed with the UNFCCC administration, whose views have been appropriately reflected in the report.

7. The recommendations contained in this report do not address sanctions or disciplinary steps which UNFCCC may wish to impose on defaulting officials for consistent failure to ensure compliance with its Financial Regulations and Rules, administrative instructions and other related directives.

## **B. Findings and recommendations**

### **1. Follow-up of previous recommendations**

8. Of the 13 recommendations made for the biennium 2006-2007, five (38 per cent) were fully implemented; seven (54 per cent) were under implementation; and one (8 per cent) was not implemented. Details of the status of implementation of these recommendations are shown in the annex to the present report.

9. The Board evaluated the ageing of its previous recommendations that had not yet been fully implemented and has indicated at annex the financial periods in which such recommendations were first made. Of the seven recommendations under implementation, one relates to the biennium 2002-2003 and six to the biennium 2006-2007. The recommendation not implemented was first made in the biennium 2004-2005.

#### *Recommendations under implementation*

10. Two of the recommendations that were under implementation relate to outstanding contributions (which required co-operation of Conference of Parties Members) and travel obligations (which required expediting the submission of travel claims). Four other recommendations (which relate to asset management, vendor registration, consultants' management and information technology plan) needed further actions to complete the process. The other outstanding recommendation relates to IPSAS implementation which is discussed in the relevant session of this report.

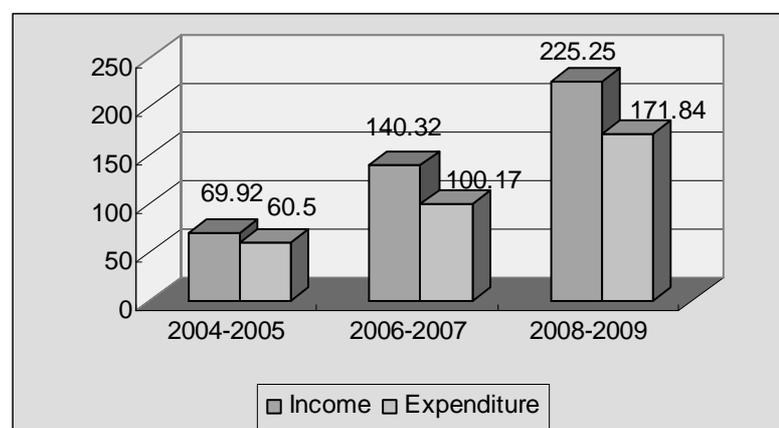
#### *Recommendation not implemented*

11. The recommendation that was not implemented relates to the write-off policy for long outstanding receivables on indicative contributions. The Board was informed that in line with the practice followed at United Nations Headquarters, indicative contributions represent legal obligations of contributions and, therefore, the balances of unpaid assessed contributions are reported irrespective of collectability. This is discussed in more detail in the relevant section of this report.

### **2. Financial overview**

12. Total income for the period under review amounted to \$225.25 million while total expenditures amounted to \$171.84 million, giving an excess of income over expenditure of \$53.41 million. Comparative income and expenditures for the financial periods of 2004-2005, 2006-2007 and 2008-2009 are shown in Figure II.1.

Figure II.1  
**Comparative income and expenditure**  
 (Millions of United States dollars)



Note: Based on the audited financial statements.

13. The increase in income of \$84.93 million, or 61 per cent, was attributable to the increase of \$37.68 million of voluntary contributions, \$37.13 million of fees of clean development mechanism and joint implementation, and \$9.82 million of indicative contributions respectively.

14. The increase in expenditure of \$71.67 million or 72 per cent was attributable mainly to costs relating to staff, travel and operating expenses, resulting from extra sessions during the biennium under review and operations of the clean development mechanism.

15. As shown in Table II.1, all the selected financial indicators reflected improvements, except that the ratio of the unliquidated obligations to total liabilities showed an increasing trend. The increase of ULOs was also mainly due to additional sessions during the biennium and the operations of the clean development mechanism.

Table II.1  
**Ratios of key financial indicators**

Ratio	Biennium ended 31 December			Component of 2009 ratio <sup>a</sup>
	2005	2007	2009	
Assessed contributions outstanding/total assets <sup>b</sup>	0.08	0.02	0.01	2.00/156.81
Cash/total assets <sup>c</sup>	0.89	0.93	0.92	143.90/156.81
Cash/total liabilities <sup>d</sup>	1.63	2.66	3.47	143.90/41.50
Unliquidated obligations/total liabilities <sup>e</sup>	0.13	0.23	0.38	15.88/41.50

Note: Based on the audited financial statements.

- a In millions of United States dollars.
- b A low indicator depicts a healthy financial position.
- c A high indicator depicts a healthy financial position.
- d A low indicator is a reflection that insufficient cash is available to settle debts.
- e A low indicator is a positive reflection that obligations are being liquidated.

### 3. Progress towards the implementation of International Public Sector Accounting Standards

16. The General Assembly in its resolution 60/283 approved the adoption of the International Public Sector Accounting Standards (IPSAS) for the presentation of the financial statements of the United Nations. During the biennium under review, the Management Committee of UNFCCC endorsed the adoption of IPSAS and approved the draft implementation plan.

17. The second progress report on the adoption of IPSAS by the United Nations (A/64/355) indicated that the likely date of implementation of IPSAS in the UN Secretariat would be 2014, and therefore the adoption of IPSAS at UNFCCC was accordingly postponed to 2014. UNFCCC indicated that it proposed to refine the implementation plan and update it to take account of the new target date as well as the scheduling of areas that need to be addressed.

### 4. Statement of assets, liabilities, reserves and fund balances

18. The assets of UNFCCC totalled \$156.81 million as at 31 December 2009, compared with \$83.50 million at the end of the previous biennium, an increase of \$73.31 million or 88 per cent. Total liabilities were \$41.50 million, compared with \$29.12 million at the end of the preceding biennium, an increase of \$12.38 million or 43 per cent. This was mainly due to the increase in contributions received in advance and unliquidated obligations.

19. Reserves and fund balances amounted to \$115.32 million, compared with \$54.39 million at the end of the previous biennium, an increase of \$60.93 million or 112 per cent.

20. As at 31 December 2009, cash and term deposits amounted to \$143.90 million, compared with \$77.39 million at the end of the previous biennium, an increase of 86 per cent. Cash and term deposits accounted for 92 per cent of the total assets mainly due to an increase in voluntary contributions and fee-based income.

#### *Outstanding indicative contributions*

21. In the previous biennium, the Board reiterated its recommendation that UNFCCC formulate and implement a write-off policy for long outstanding contributions. This recommendation was not implemented. UNFCCC explained that in line with the practice followed at United Nations Headquarters, indicative contributions represent legal obligations of members of COP irrespective of collectability.

22. As at 31 December 2009, outstanding indicative contributions were \$2 million, an increase of \$0.06 million or 3 per cent, compared with \$1.94 million for the preceding financial period. Of the amount of \$2 million, \$585,207 or 29

per cent had been outstanding for more than three years. The Board is of the view that a write-off or provision policy would improve the fair presentation of the financial information on outstanding contributions.

**23. The Board reiterates its previous recommendation that UNFCCC consider formulating and implementing a write-off policy for long outstanding contributions.**

*Investment pool*

24. As of 31 December 2009, UNFCCC had an equivalent of \$143.64 million in the investment pool, which is operated by UN Treasury at UNHQ. However, there was no formal agreement between UNFCCC and UN Treasury in relation to the investment. The absence of such an agreement could expose UNFCCC to financial risk.

**25. The Board recommends that UNFCCC formalize an agreement with UN Treasury for its deposit in the investment pool.**

*Other accounts receivable*

26. As of 31 December 2009, the advances to third parties for the provision of services amounted to \$5.70 million, of which \$2.99 million was outstanding for a period from 120 days to 1,246 days. UNFCCC explained that the largest amounts of the outstanding receivables relate to advances made to Governments and to UN agencies.

**27. The Board recommends that UNFCCC intensify its efforts to clear all outstanding advances in a timely manner.**

**5. End-of-service liabilities (including ASHI)**

*Valuation of end-of-service liabilities including ASHI*

28. In accordance with the request of the General Assembly resolution 64/241, the Board continued its validation on the accrued liabilities for ASHI of UNFCCC. As at 31 December 2009, end-of-service and post retirement liabilities amounted to \$18.47 million, of which \$13.17 million represented ASHI, \$1.97 million related to annual leave, and \$3.33 million represented repatriation benefits. Effective with the biennium ended 31 December 2009, all three liabilities were determined on the basis of an external actuarial valuation, using the census data provided by UNFCCC as well as the UN system-wide actuarial assumptions.

*Funding of end-of-service liabilities including ASHI*

29. In its previous report (FCCC/SBI/2008/13), the Board had recommended that UNFCCC, through the Conference of Parties, provide the appropriate funding for the settlement of end-of-service liabilities. The Conference of the Parties, in Decision 12/CP.15, authorized the Executive Secretary to use, to the extent possible and in consultation with Parties and the Office of Human Resources Management of the United Nations, available balances from the existing reserves and surplus balances in the event that the secretariat needs to address its

liabilities. As at 31 December 2009, the total reserves and fund balances amounted to \$115.32 million.

*Discount rate*

30. A discount rate is an interest rate used as a common financial practice to estimate the present value of an amount to be earned or lost at a future date. In other words, it represents the time value of money. As the ASHI liability is composed of benefits that will be paid out by UNFCCC to its retired staff in the future, these benefits are generally discounted so that the reporting entity takes the present value of the future benefits as an estimate for its liability. By construction, the higher (respectively the lower) the discount rate, the lower (respectively the higher) the present value of future amounts. Hence, all things being equal, the increase in the discount rate used by the UNFCCC would result in a lower ASHI liability compared to the previous financial period.

31. In its previous valuation of the ASHI liability, UNFCCC had used a discount rate of 5.5 per cent. The valuation of the ASHI liability as of 31 December 2009 relies on a discount rate of 6.0 per cent.

32. IPSAS 25, which serves as a reference for the actuarial methodology used for the valuation of the ASHI liability as per resolution 61/264 of the General Assembly, does not prescribe any particular discount rate. It however states that *“The rate used to discount post-employment benefit obligations (both funded and unfunded) shall reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money shall be consistent with the currency and estimated term of the post-employment benefit obligations”* (Para. 91). It further specifies that *“an entity makes a judgment whether the discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds, high quality corporate bonds or by another financial instrument”* (Para. 94).

33. Like most of the methodological elements used for the actuarial valuation of the ASHI liability, the discount rate was selected by the UN on behalf of all the entities that participate to the same health plans and for which the UN coordinated the valuation exercise.

34. According to the UN, the objective of selecting a discount rate when valuing ESL benefits is to measure the single amount that, if invested in a portfolio of high-quality debt instruments, would provide the necessary future cash flow to pay the accrued benefits when due. The UN has historically established the discount rate assumption by referring to rates of return on available high-quality, fixed-income investments with cash flow that match the timing and amount of expected benefit payments. The rates of return used as a reference by the UN have been those of high-quality corporate bonds.

35. The Board acknowledges that this methodology is compliant with IPSAS 25, yet makes the following comments for consideration in the discussion on funding these liabilities:

(a) The increase in the discount rate does not reflect the trend in interest rates which have generally tended to decrease over the recent period. This increase results in the UN having decided not to increase the discount rate for the previous valuation, although the application of the methodology described above would have resulted in an increase from 5.5 per cent to 6.5 per cent at that time. Considering the uncertainties on the prescriptions of IPSAS (IPSAS 25 had not been adopted yet), the UN had conservatively decided to maintain the 5.5 per cent rate. Had it chosen to raise the rate to 6.5 per cent at the time, the same rate would have then decreased instead of increased for the last valuation - which would have been consistent with the economic environment; and

(b) The discount rate is but one example of the high level of uncertainty inherent in the actuarial valuation of a liability. While compliant with the accounting standards, this valuation is only an estimate of the actual value of the liability. Consequently, UNFCCC may wish not to regard this as the absolute reference. Valuations based on standards other than accounting ones may yield different results. In this regard, the Board wishes to underline that a financial valuation of the funding needs (or “funding valuation”) would result in a different value than the accounting valuation which, by construction, is generally more conservative.

## 6. Procurement and contract management

36. As formulated in United Nations Procurement Manual 9.3.5 (1) *“The Procurement Officer should, for all cases requiring formal solicitation, post an EOI notice on the UN/PS web-site for a period ranging from two (2) weeks to four (4) weeks depending on the circumstances of the case, to identify the Vendors interest or otherwise in participating in the particular solicitation.”*

37. A total of 40 formal competitive solicitations were conducted by UNFCCC in 2008, of which two cases were without the Expression of Interest (EOI) notice posted on the website. In addition, in four cases, the EOI posting period ranged from three to 11 days, shorter than the prescribed “two to four weeks”.

38. Short EOI posting periods could increase the risk of having insufficient potential vendors, thus reduce the chance of obtaining more competitive prices.

**39. The Board recommends that UNFCCC comply with the requirements of the Procurement Manual regarding the minimum time of placing of EOI advertisements.**

40. UNFCCC explained that the EOI posting period was sometimes shortened when there was insufficient time for the full solicitation process. These arose mainly from factors beyond the control of the secretariat.

## 7. Non-expendable property management

41. Non-expendable property (NEP) consists of property and equipment valued at \$1,500 or more per unit at the time of purchase and with a serviceable life of at least five years and also including special items and group inventory items. As disclosed in Note 13 to the financial statements, the value of NEP holdings as at 31 December 2009 amounted to \$7.68 million, a 36 per cent increase from the previous period's balance of \$5.66 million.

*Discrepancy*

42. At the time of the audit, the following discrepancies relating to information communication technology (ICT) hardware between the records provided by finance section and the inventory tracking system were noted.

(a) \$645,094 of network infrastructure equipment and licenses had not been received as at 31 December 2009, but was included in the records of finance section;

(b) \$129,071 of server switches was recorded in the inventory tracking system, but was not included in the records of finance section;

(c) \$747,644 of equipment acquired from 1994 to 1996 and included in the amount disclosed in the notes to financial statement, was not recorded in the inventory tracking system. This matter was also highlighted in the Board's previous report. As indicated in Note 13 to the financial statements, the equipment was earmarked to write off.

43. Although these discrepancies were addressed by UNFCCC, they highlight the need for UNFCCC to pay great attention to the management of NEP, particularly in relation to reconciliation of related records.

44. **The Board recommends that UNFCCC carry out periodic physical verification of all non-expendable property and reconcile the results with the related records.**

## **8. Consultants, experts and temporary assistance**

*Candidates for assignments*

45. Administrative Instruction - Consultants and Individual Contractors (ST/AI/1999/7) requires that several qualified candidates be considered for each assignment. The UNFCCC internal guideline also requires the Programme Officer/Requesting Unit to identify at least three candidates for each assignment.

46. During the biennium 2008-2009, 288 consultants or individual contractors (CICs) were engaged by programmes/departments of UNFCCC. The Board reviewed a sample of 46 CICs cases and noted that in seven cases, only two candidates had been identified and no written justification for such exception was included in the case files. The non-adherence to the requirements of ST/AI/1999/7 could affect the competitiveness of the selection process.

47. **The Board recommends that UNFCCC comply with the requirements of ST/AI/1999/7 relating to the minimum number of candidates to be considered for assignments.**

48. UNFCCC commented that it was not always possible to obtain the minimum number of candidates to be considered for assignments given the small pool of technically skilled and qualified candidates available.

*Archive management*

49. Consultants' files were kept by the Human Resources Unit of UNFCCC. Human resources and finance staff were authorized to access the files. There was however no information on borrowers and on the dates when the files were lent.

**50. The Board recommends that UNFCCC implement a system for monitoring the issuing of consultants' files.**

*Performance evaluation*

51. The Executive Board of Clean Development Mechanism (CDM) employs experts to appraise the validity of the proposed new methodologies. With regard to expertise service, it is commonly accepted that the performance of expertise providers be evaluated based on definite criteria, and a summary rating be recorded in a roster as a reference for consideration of future contracts.

52. Five out of 49 sampled experts' files did not have performance evaluation records, and there were no established criteria for experts' performance evaluation. The absence of evaluation criteria as well as performance evaluations could affect future decisions on expert selection.

**53. The UNFCCC agreed with the Board's recommendation to propose that the Executive Board of Clean Development Mechanism establish performance evaluation criteria and conduct performance evaluations.**

*Rosters*

54. Each unit or team under the Sustainable Development Mechanisms (SDM) Programme of UNFCCC Secretariat maintained its own rosters of experts. However, the information of these experts in the rosters was not shared among these units or teams. The sharing information among units/teams would improve the efficiency of expert management.

**55. UNFCCC agreed with the Board's recommendation to share the information of experts among units/teams.**

56. UNFCCC explained that the management of rosters of experts is now centralised within the SDM programme and managed by the Process Management Unit under the new structure.

## **9. Information Technology**

*Website language*

57. UNFCCC has a multilingual website which plays an important role in fulfilling the function of knowledge dissemination, advocacy, education and awareness-raising. Of the six United Nations official languages, only English, Spanish, and French were used in the UNFCCC website.

58. **The Board recommends that UNFCCC develop a plan to increase the number of the UN official languages used on its website.**

59. UNFCCC explained that the Secretariat had in the past requested funding for translation through supplementary sources, the governments of France (historically) and Spain (currently) provided funding for the translation of material. It was for this reason that French and Spanish portals were created on the UNFCCC website. To implement the UNFCCC website in all six languages was desirable and would greatly strengthen outreach. However, this project would require the provision of continuing support for translation and technical implementation on the content management system.

#### **10. Internal audit function**

60. In 2006, Office of Internal Oversight Services (OIOS) signed a Memorandum of Understanding (MoU) with the UNFCCC Secretariat for the provision of internal audit services and a post for resident auditor was then created. In the biennium of 2008-2009, OIOS conducted four audits at UNFCCC, and issued three audit reports by the end of 2009. OIOS made 52 recommendations, of which 17 were implemented, 14 were under implementation and 21 were pending review by OIOS.

#### **11. Internal audit findings**

61. Some of the key findings contained in the reports of the OIOS on UNFCCC operations for the biennium of 2008-2009 are detailed as follows:

(a) In the audit of Adequacy of Arrangements for the Implementation of Clean Development Mechanism (CDM) by UNFCCC, OIOS noted that no single document existed that captured the additional CDM responsibilities of the secretariat given to it by the EB; and the budget document for the CDM programme lacked deliberate oversight;

(b) In the audit of the Conference Management, OIOS found that the Conference of the Parties' accounts were not finalized timely; and there was no formal feedback mechanism to evaluate the quality of conference services;

(c) In the audit of Information and Communication Technology Governance and Security Management, OIOS noted that UNFCCC lacked of an ICT strategy, and that performance indicators did not adequately measure the activities monitored; and

(d) In the audit of Procurement Management, OIOS noted the following deficiencies: (i) UNFCCC Secretariat is conducting procurement activities without a valid delegation of authority; (ii) UNFCCC Secretariat had not documented its strategy on "green" procurement; and (iii) The requisitioners' technical evaluation of quotations, bids and proposals routinely included cost considerations, contrary to the provisions of the United Nations Procurement Manual.

62. UNFCCC explained that:

(i) The CDM Executive Board operates an annual CDM Management Action Plan and that the current practice is for the secretariat to report at every Executive Board meeting on the status of income and expenditure;

(ii) Early in 2010, the management of UNFCCC moved to create a new programme, Information Technology Services (ITS), responsible for the IT governance under a process that started in early 2009. The new programme was already up and running and was structured to fully address the issues relating to IT strategy and the monitoring of activities and performance; and

(iii) The delegation of authority for procurement had to date not been renewed to the Executive Secretary of UNFCCC who was still operating under the old delegation of authority that expired nearly two years ago.

## **C. Disclosures by management**

### **1. Write-off of losses of cash, receivables and property**

63. UNFCCC informed the Board that no cash losses were incurred or written off, and no write-offs of advances or receivables were effected during the biennium other than losses arising from exchange differences. Some receivables from 2003 to 2007 totalling \$15,014 were under consideration for writing off during the biennium 2008-2009 as efforts to follow up have not yielded any results.

### **2. Ex gratia payments**

64. The Board was informed that no ex-gratia payment was made during the biennium under review.

### **3. Cases of fraud and presumptive fraud**

65. UNFCCC reported that no cases of fraud and presumptive fraud had come to its attention during the biennium 2008-2009.

## **D. Acknowledgement**

66. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Secretary and the UNFCCC staff.

**Terence Nombembe**  
Auditor-General of the Republic of South Africa  
Chairman of the United Nations Board of Auditors

**LIU Jiayi**  
Auditor-General of the People's Republic of China

(Lead Auditor)

**Didier Migaud**  
First President of the Court of Accounts of France

30 June 2010

## Annex

### Status of implementation of recommendations for the biennium ended 31 December 2007<sup>1</sup>

	Summary of recommendation	Paragraph Reference	Financial period first made	Implemented	Under implementation	Not implemented	Overtaken by events
1	Formulate and implement a write-off policy for long outstanding contributions.	Par. 16	Board Report 2004/2005, Par. 40			X	
2	(a) Review and determine the validity of travel obligations; and (b) establish a policy for the liquidation of these obligations.	Par. 27	Board Report 2006/2007		X		
3	Obtain full payment of indicative contributions from all Parties	Par. 33	First made in Board Report 2002/2003, Par. 22		X		
4	Continue reminding the Parties of their outstanding International Transaction Log assessments.	Par. 36	Board Report 2006/2007	X			
5	Through the Parties, provide the appropriate funding for the settlement of end-of-service liabilities.	Par. 42	Board Report 2006/2007	X <sup>2</sup>			
6	Determine the details pertaining to each information and communications technology equipment to facilitate the reconciliation of the physical inventory against property records.	Par. 47	Board Report 2006/2007		X		
7	Consider all the necessary components in the final version of its IPSAS implementation plan.	Par. 50	Board Report 2006/2007		X		

<sup>1</sup> FCCC/SBI/2008/13

<sup>2</sup> Decision 12/CP.15, FCCC/CP/2009/11/Add.1

	Summary of recommendation	Paragraph Reference	Financial period first made	Implemented	Under implementation	Not implemented	Overtaken by events
8	Ensure that all vendors are duly registered prior to entering into contract with them.	Par. 52	Board Report 2006/2007		X		
9	Ensure that procurement actions be more accurately planned.	Par. 56	Board Report 2006/2007	X			
10	Specify in the purchase orders the terms of delivery and the corresponding penalty clause for late delivery.	Par. 60	Board Report 2006/2007	X			
11	Indicate in the terms of reference for the hiring of consultants definite and realistic performance indicators to: (a) establish greater competitiveness of the selection process through a comprehensive central roster of consultants; and (b) monitor effectively the work of the consultants.	Par. 66	Board Report 2006/2007			X	
12	Pursue an information technology plan that would be in accordance with the Control Objectives for Information and related Technology (COBIT) standards.	Par. 69	Board Report 2006/2007			X	
13	Request OIOS to consider increasing the focus areas to be audited each year taking into account the risk assessment conducted and the availability of resources.	Par. 72	Board Report 2006/2007	X			
	<b>Total</b>			<b>5</b>	<b>7</b>	<b>1</b>	<b>0</b>
	<b>Percentage</b>			<b>38</b>	<b>54</b>	<b>8</b>	<b>0</b>