United Nations A/75/177

General Assembly

Distr.: General
17 July 2020

Original: English

Seventy-fifth session
Item 138 of the provisional agenda*
Financial reports and audited financial statements, and reports of the Board of Auditors

Concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors for the annual financial period 2019

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly, pursuant to resolution 47/211, a concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors on its audit of accounts for the year ended 31 December 2019.

* A/74/150.

Letters of transmittal

Letter dated 21 July 2020 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you a concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors for the annual financial period 2019.

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors

Letter dated 21 July 2020 from the Chair of the Board of Auditors addressed to the Secretary-General

I have the honour to transmit to you the concise summary of the principal findings, conclusions and recommendations contained in the reports prepared by the Board of Auditors for the General Assembly at its seventy-fifth session.

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors

Contents

Abbreviations

ICT	Information and communications technology
IPSAS	International Public Sector Accounting Standards
IRMCT	International Residual Mechanism for Criminal Tribunals
ITC	International Trade Centre
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFPA	United Nations Population Fund
UN-Habitat	United Nations Human Settlements Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNITAR	United Nations Institute for Training and Research
UNJSPF	United Nations Joint Staff Pension Fund
UNODC	United Nations Office on Drugs and Crime
UNOPS	United Nations Office for Project Services
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UNU	United Nations University
UN-Women	United Nations Entity for Gender Equality and the Empowerment of Women

Concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors for the annual financial period 2019

Summary

The General Assembly, in its resolution 47/211, invited the Board of Auditors to report in a consolidated fashion on major deficiencies in programme and financial management and cases of inappropriate or fraudulent use of resources, together with the measures taken by the relevant entities. The findings and conclusions included in the present report relate to the common themes and major issues identified in the Board's reports addressed to the General Assembly on 18 entities (see annex I). The contents of the Board's reports to the Security Council and other governing bodies are not summarized herein.

The present report summarizes the major issues, including on performance matters, set out in the separate reports on the United Nations entities submitted to the General Assembly. Most of the issues contained in the present report are of a cross-cutting nature on the predetermined audit themes based on established audit risks and special requests by the Advisory Committee on Administrative and Budgetary Questions.

I. Scope and mandate

1. The present report includes findings and conclusions identified in the reports of the Board of Auditors for 2019, addressed to the General Assembly, on 18 entities, including United Nations peacekeeping operations[1] (see annex I). The Board has continued to provide information on cross-entity issues, as requested by the Chair of the Advisory Committee on Administrative and Budgetary Questions on 27 January 2014 and reiterated on 19 February 2015, and on the understanding that the Committee still finds the presentation useful (see A/70/380).

2. The Board has therefore continued to report on key trends and cross-entity issues in its entity-level reports and included commentary in the present summary report on financial performance, cash and investment management, employee benefit liabilities, receivables, expenses and budget management. In addition, the Board has included information about the status of the United Nations reform activities. The focus in that regard is on the three pillars of the reform (management, security and development) and therefore on the reports of the Board on the United Nations Secretariat (A/75/5 (Vol. I)), United Nations peacekeeping operations (A/75/5 (Vol. II)) and, for the development pillar, UNDP (A/75/5/Add.1). The Board has compiled its findings and recommendations for the entities audited in the present report.

II. Overall matters for the United Nations

A. Audit opinions

3. The Board audited the financial statements and reviewed the operations of 18 organizations (see annex I), in accordance with General Assembly resolution 74 (I) of 7 December 1946.

4. All 18 entities received unqualified audit opinions (for a definition of the types of audit opinions, see annex II). The present summary does not include the Board's findings, conclusions and recommendations on United Nations peacekeeping operations, except for those related to the Secretary-General's reforms. Two entities, UNFPA and UNHCR, received an unqualified opinion with an emphasis of matter (see chap. V below). "Emphasis of matter" is intended to draw users' attention to a matter presented or disclosed in the financial report that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial report.

5. The Board has issued short-form reports reflecting its audit opinions, together with long-form reports, which contain detailed findings and recommendations arising from each audit.

[1] To better support the General Assembly in its governance role, the Board includes the financial figures for United Nations peacekeeping operations in the present report to provide a more comprehensive picture. The peacekeeping operations have an annual financial cycle ending 30 June; therefore, the figures related to those operations are as at that date unless otherwise indicated.

B. Financial performance

Net results

6. A comparison of the net results of the financial performance of the audited entities at the end of 2018 and 2019 is presented in table 1. The Board analysed the financial statements of the 17 audited entities[2] and noted that 11 entities[3] closed the financial year with a surplus, while 6 entities[4] recorded a deficit. Of those six entities, two (United Nations peacekeeping operations and UN-Habitat) had recorded a deficit in the previous financial year. Four entities that closed the financial year with a deficit (UNDP, UNHCR, UNRWA and IRMCT) had recorded a surplus the previous year. Two entities that had closed the previous financial year with a deficit (UNITAR and UNU) recorded a surplus for 2019.

7. The primary reason for the deficit of $270 million in 2019 in the financial statements of United Nations peacekeeping operations was a decrease in assessed contributions. For UNDP, the decline of $689 million from a surplus in 2018 to a deficit of $95 million in 2019 was caused primarily by the combined effects of the change in the revenue recognition policy (IPSAS 23: Revenue from non-exchange transactions) and by the fact that funding for the Programme is received on a cyclical basis, even when multiyear agreements are signed with donors and the revenue for those agreements recorded up front (provided that certain criteria are met). For UNHCR, the variance between the 2018 surplus and the 2019 deficit of $75 million was $331 million and attributable mainly to decreased revenue from voluntary contributions and increased expenses for employee salaries and benefits and cash assistance to beneficiaries. For UNRWA, the decrease of $277 million to a deficit of $172 million in 2019 is due to a decline in donor support by Governments and intergovernmental organizations.

8. The Board noted that nine entities[5] had improved their position of surplus/deficit, whereas the remaining eight had seen a decline in that respect. The reasons for those changes are detailed in the individual audit reports of the entities.

Table 1
Comparison of surplus/deficit and net assets of different entities
(Thousands of United States dollars)

	Surplus or deficit		*Net assets*	
Entity	*2019*	*2018*	*2019*	*2018*
United Nations (Vol. I)	250 157	523 110	2 428 204	3 213 895
United Nations peacekeeping operations[a]	(270 192)	(229 281)	290 282	782 436
ITC	6 301	21 424	(38 796)	32 856
UNCDF[a]	74 068	33 266	274 411	198 128
UNDP[a]	(94 543)	594 781	9 695 305	9 629 040
UNEP	218 732	183 217	1 852 148	1 658 045
UNFPA	279 001	204 300	1 432 856	1 080 323

[2] UNJSPF is not included because it follows International Accounting Standard 26 and IPSAS for financial reporting purposes.

[3] United Nations (Vol. I), ITC, UNCDF, UNEP, UNFPA, UNICEF, UNITAR, UNODC, UNOPS, UNU and UN-Women.

[4] United Nations peacekeeping operations, UNDP, UN-Habitat, UNHCR, UNRWA and IRMCT.

[5] UNCDF, UNEP, UNFPA, UN-Habitat, UNITAR, UNODC, UNOPS, UNU and UN-Women.

Entity	Surplus or deficit 2019	Surplus or deficit 2018	Net assets 2019	Net assets 2018
UN-Habitat	(6 080)	(7 004)	318 986	315 250
UNICEF	188 213	722 676	7 731 947	7 465 448
UNITAR	16 004	(2 591)	31 987	23 498
UNHCR	(75 134)	255 775	2 106 830	2 319 125
UNODC	83 270	76 875	778 893	687 038
UNOPS	47 137	38 427	252 044	192 915
UNRWA	(172 357)	105 014	(775)	239 274
UNU[a]	44 483	(32 109)	463 797	415 191
UN-Women	106 512	24 458	514 166	413 477
IRMCT	(8 186)	11 979	76 368	53 990

Source: Financial statements of the individual entities.

[a] Differences between the figures reported in the concise summary for 2018 and the same figures for 2018 in the present report are due to restatements made by management.

9. The two right-hand columns of table 1 set out changes in net assets over two years (2018 and 2019). In 2019, 15 entities covered in the present report showed positive net assets. Two entities (ITC and UNRWA) showed negative assets, attributable mainly to a net actuarial loss on employee benefit liabilities recognized in net assets.

10. The net assets of United Nations peacekeeping operations had declined as compared with the previous year, but still show a positive balance. The decrease of $492 million in assets is due to an adjustment of after-service health insurance liabilities as a result of audit findings (errors in census data) and to changes in the discount rate. The increase in net assets of $352 million to $1.43 billion for UNFPA is mainly due to the combined effect of surplus for the year and actuarial gain on post-employment benefits charged directly to accumulated surplus. For UNDP, net assets/equity increased by $66 million, to $9.7 billion, as a result of the combined effect of the following factors: (a) a deficit of $95 million; (b) a change in the fair value of investments held for sale, amounting to $92 million; (c) actuarial gains of $44 million; and (d) a change of $24 million in the value of funds with specific purposes.

11. The net assets of the remaining entities had been relatively stable or had increased slightly compared with the previous year. Detailed reasons for the changes in the net assets position are discussed in the individual audit reports of the entities.

Ratios

12. Ratio analysis is a quantitative analysis of information provided in the financial statements. Four main ratios are discussed in the present report: assets to liabilities ratio (total assets to total liabilities), current ratio (current assets to current liabilities), quick ratio (cash + short-term investments + accounts receivable to current liabilities) and cash ratio (cash + short-term investments to current liabilities).

13. Ratio analysis provides an assessment of financial sustainability and liquidity across United Nations entities (see table 2 (ratio analysis)). In general, a ratio of 1:1 is considered to be a sound indicator of financial sustainability and/or liquidity. Detailed explanations of each individual ratio are provided in the footnotes to table 2.

14. Of all 17 entities,[6] 2 have an assets-to-liabilities ratio below or at 1 (ITC, at 0.90; and UNRWA, at 1.00). Three entities (United Nations peacekeeping operations, at 1.07; UNOPS, at 1.12; and IRMCT, at 1.52) have an assets-to-liabilities ratio above but close to 1. The remaining entities have ratios comfortably above 1 (between 2.54 for UNITAR and 14.20 for UNCDF). A ratio above 1 indicates an entity's ability to meet its overall obligations. As the major part of the liability of the entities with assets-to-liabilities ratios close to 1 is of a long-term nature (employee benefits liability), there is no immediate threat to their solvency, but they need to strengthen their asset position over the long term.

15. The Board further noted that United Nations peacekeeping operations had cash ratios of less than 1:1, which indicates pressure on the liquidity side. For United Nations peacekeeping operations, it was significantly below 1, at 0.49 (0.45 in 2018). The main reason for its low cash ratio is the non-payment of assessed contributions, which leads to pressure on the liquidity side and a low cash ratio. Furthermore, the Board noted that, in 2019, the current ratio (0.85), quick ratio (0.84) and cash ratio (0.81) of UNOPS were all below 1.

16. For UNOPS, those low ratios would normally give rise to concern over the liquidity of the entity; however, the trend reflects a continued policy of longer-term investments that can also be liquidated at any time. Therefore, the surplus and the net assets of UNOPS increased (see table 1), but the liquidity ratios decreased. These long-term investments are not reflected in the liquidity ratio calculation but may be seen as a reserve to provide sufficient liquidity to meet operational needs if required.

17. In general, the financial position of all entities remained at least sufficient. The solvency ratios and liquidity ratios were comfortably high for most of the entities and, in the case of entities for which these ratios were near 1:1 or less, there was no immediate threat to their solvency. However, even if the ratios in general show sufficient solvency and the liquidity ratios are sufficient (with the exception of United Nations peacekeeping operations), it is possible that in a short-term perspective there might be pressure on the liquidity side.

Table 2
Ratio analysis as at 31 December 2019

	Asset to liabilities ratio: total assets/total liabilities[a]		*Current ratio: current assets/current liabilities[b]*		*Quick ratio: (cash + short-term investments + accounts receivable)/ current liabilities[c]*		*Cash ratio: (cash + short-term investments)/current liabilities[d]*	
Entity	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*
United Nations (Vol. I)[e]	1.33	1.54	4.11	4.24	3.78	3.85	2.73	2.84
United Nations peacekeeping operations[e]	1.07	1.19	1.27	1.23	1.12	1.08	0.49	0.45
ITC	0.90	1.14	2.98	3.52	2.88	3.43	1.57	1.86
UNCDF[e]	14.20	9.13	31.37	13.96	31.14	13.84	15.65	6.69
UNDP[e]	4.48	4.74	5.13	4.99	4.95	4.83	3.32	3.37
UNEP	4.29	4.88	4.80	6.07	3.89	4.80	2.61	3.24
UNFPA	3.68	3.04	6.38	5.31	5.78	4.77	4.68	3.69
UN-Habitat	3.10	3.17	3.12	3.88	2.83	3.52	1.68	2.01
UNICEF	3.25	3.46	4.51	5.45	3.43	4.29	2.20	2.90
UNITAR	2.54	2.88	18.49	11.93	15.60	11.63	10.78	7.30
UNHCR	2.66	3.35	7.88	9.53	6.71	8.10	3.66	4.03

[6] UNJSPF is not included in the analysis owing to the differing nature of its operations.

Entity	Asset to liabilities ratio: total assets/total liabilities[a]		Current ratio: current assets/current liabilities[b]		Quick ratio: (cash + short-term investments + accounts receivable)/ current liabilities[c]		Cash ratio: (cash + short-term investments)/current liabilities[d]	
	2019	2018	2019	2018	2019	2018	2019	2018
UNODC	3.17	3.03	5.14	5.44	4.88	5.24	4.11	4.30
UNOPS	1.12	1.09	0.85	0.96	0.84	0.95	0.81	0.91
UNRWA	1.00	1.29	2.41	3.06	1.97	2.52	1.49	2.00
UNU	8.39	6.72	6.25	3.96	6.21	3.92	4.38	2.13
UN-Women	4.59	4.23	9.72	6.60	8.70	5.80	8.12	5.42
IRMCT	1.52	1.32	9.70	13.85	9.65	13.77	7.44	10.25

Source: Audit reports of the Board.

[a] A high ratio of at least 1 or more indicates an entity's ability to meet its overall obligations.

[b] A high ratio of at least 1 or more indicates an entity's ability to pay off its current liabilities.

[c] The quick ratio is more conservative than the current ratio, because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

[d] The cash ratio is an indicator of an entity's liquidity; it measures the amount of cash, cash equivalents or invested funds that are in current assets to cover current liabilities.

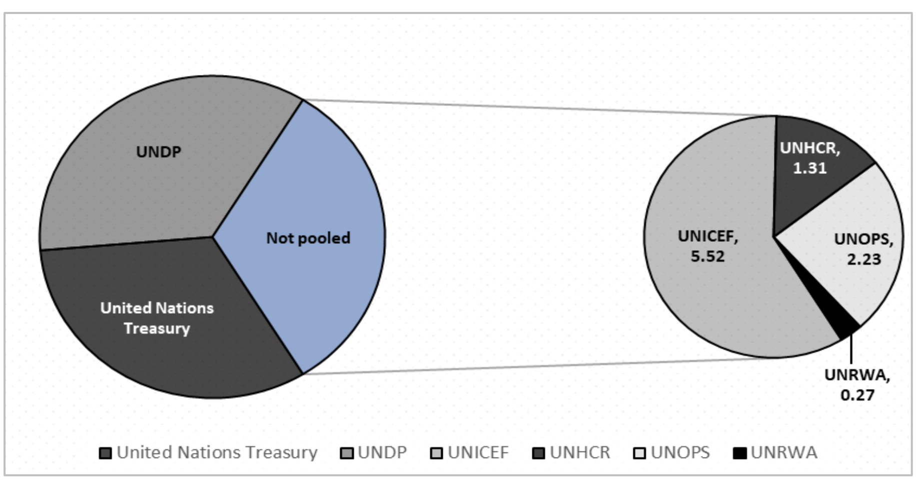
[e] Differences between the figures reported in the concise summary for 2018 and the same figures for 2018 in the present report are due to restatements made by management.

C. Cash and investment management

18. The United Nations and several of its funds and programmes manage significant amounts of cash and investments. In some cases, the administrations have established specialized treasury functions to support their individual needs, and some also provide cash management services to other organizations. With the implementation of the Umoja enterprise resource planning system, the United Nations implemented a house bank system in which bank accounts are no longer associated with individual entities. In the house bank system, bank accounts are maintained by currency and country, and all participating entities use them for carrying out transactions. Similarly, the United Nations Treasury maintains an investment pool to invest the pooled amount of participating entities.

United Nations cash and investment pooling and others 2019

(Billions of United States dollars)



Source: Financial statements and information provided by the different entities.

19. As at 31 December 2019, a total of eight entities[7] covered in the present report were participating in the investment pool maintained by the United Nations Treasury, which managed cash and investments of $9.34 billion in its investment pool (see figure above). In addition, UNDP manages investments for its own programme and for other United Nations entities under service-level agreements covering four entities[8] included in the present report. Four entities (UNHCR, UNICEF, UNOPS and UNRWA) have a total of $9.33 billion of cash and investments that are not pooled or managed by others.

20. As cash balances and the number of accounts, transactions and payment currencies increase, there is a greater need for professional management of cash and investments, to ensure that risks and returns are properly managed. Furthermore, it is vital for the United Nations and its funds and programmes to manage public funds by means of a strategy aimed at helping to ensure the continuous availability of cash needed to maintain operations and the optimum level of investments that should be held to underpin the delivery of their activities.

21. In general, investments (short-term and long-term investments, see table 3) are increasing. Investments are above $1 billion for six entities (United Nations (Vol. I), United Nations peacekeeping operations, UNDP, UNFPA, UNICEF and UNOPS). The status of cash, cash equivalents and investments for 17 entities[9] as at 31 December 2019 is shown in table 3.

Table 3
Cash, cash equivalents and investments as at 31 December 2019
(Thousands of United States dollars)

	Cash and cash equivalents		*Investments (long + short term)*		*Total assets*		*Cash and investments as a percentage of total assets*		
Entity	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*	*With whom have the resources been pooled?*
United Nations (Vol. I)	1 110 997	366 242	3 051 873	3 187 391	9 714 921	9 182 108	42.85	38.70	United Nations Treasury
United Nations peacekeeping operations[a]	78 719	88 754	1 229 521	1 326 517	4 751 593	5 009 167	27.53	28.25	United Nations Treasury
ITC	36 663	8 960	100 266	82 661	362 365	273 562	37.79	33.49	United Nations Treasury
UNCDF[a]	32 164	5 274	110 722	107 307	295 196	222 494	48.40	50.60	UNDP
UNDP[a,b]	812 512	1 066 555	7 122 979	6 237 157	12 485 297	12 204 062	63.56	59.85	UNDP
UNEP	271 786	81 626	743 596	753 953	2 415 096	2 085 355	42.04	40.07	United Nations Treasury
UNFPA	189 481	150 877	1 248 592	1 001 147	1 967 625	1 609 481	73.09	71.58	UNDP
UN-Habitat	63 579	21 613	173 742	198 848	471 165	460 502	50.37	47.87	United Nations Treasury

[7] United Nations (Vol. I), United Nations peacekeeping operations, ITC, UNEP, UN-Habitat, UNODC, UNU and IRMCT.
[8] UNCDF, UNFPA, UNITAR and UN-Women. The investment balances shown also include investments outsourced by UNDP to external fund managers
[9] All entities except UNJSPF.

Entity	Cash and cash equivalents		Investments (long + short term)		Total assets		Cash and investments as a percentage of total assets		With whom have the resources been pooled?
	2019	2018	2019	2018	2019	2018	2019	2018	
UNICEF	796 303	995 259	4 725 375	4 114 670	11 174 362	10 505 168	49.41	48.64	Not pooled
UNITAR	6 735	2 381	21 836	21 424	52 784	36 004	54.13	66.12	UNDP
UNHCR	983 466	965 055	330 000	250 000	3 375 886	3 304 669	38.91	36.77	Not pooled
UNODC	215 675	70 276	589 948	648 913	1 137 725	1 026 126	70.81	70.09	United Nations Treasury
UNOPS	559 444	537 888	1 673 356	1 663 480	2 367 211	2 317 458	94.32	94.99	Not pooled
UNRWA	268 522	362 625	–	–	934 265	1 062 456	28.74	34.13	Not pooled
UNU[c]	28 531	21 851	410 145	369 279	526 557	487 781	83.31	80.19	United Nations Treasury
UN-Women	145 360	57 295	423 036	413 270	657 519	541 481	86.45	86.90	UNDP
IRMCT	45 229	15 367	123 700	141 825	224 205	223 669	75.35	70.28	United Nations Treasury

Source: Financial statements of the individual entities.

[a] Differences between the figures reported in the concise summary for 2018 and the same figures for 2018 in the present report are due to restatements made by management.

[b] Includes funds held in trust balances.

[c] Of the total cash and investments of $438.7 million, $387.4 million or 88.3 per cent, comprise the UNU Endowment Fund, which is managed by a global investment firm and overseen by the Office of Investment Management of UNJSPF; $34.3 million, or 7.8 per cent, relates to the cash investments pooled with the United Nations Treasury.

D. Employee benefit liabilities

22. Post-employment benefits are those payable after completion of employment, excluding termination payments. Post-employment benefits include pension plans, post-employment medical care (after-service health insurance), repatriation grants and other lump sums payable after the completion of employment. Pensionary benefits are paid through UNJSPF.

23. The status of employee benefit liabilities (excluding pensionary benefits) in different entities is presented in table 4.

24. Employee benefit liabilities increased over the year for 13 entities, decreased for 5 entities (UNCDF, UNFPA, UN-Habitat, UNU and IRMCT) and accounted for the majority of liabilities across all entities. The main reasons for the increases were changes in the actuarial assumptions and calculations. For 15 entities, such liabilities represented more than one quarter (25 per cent) of total liabilities; for 8 entities they were more than half of total liabilities. For United Nations (Vol. 1), UNCDF, UNITAR, UNHCR, UNRWA and UN-Women, employee benefit liabilities were higher than 75 per cent of total liabilities, with UNITAR and UNRWA both exceeding 90 per cent.

25. After-service health insurance is a health insurance plan for former staff members and their dependants. After-service health insurance is available only as a continuation, without interruption between active service and retirement status, of previous active-service coverage in a contributory health insurance plan of the United Nations.

26. In 2019 the highest amounts for after-service health insurance (with accounts of more than $1 billion) were held by the United Nations (Vol. 1), United Nations peacekeeping operations, UNDP and UNICEF.

Table 4
Status of employee benefit liabilities in different entities as at 31 December 2019
(Thousands of United States dollars)

	Total employee benefit liabilities[a]		*Total liabilities*		*Total employee benefit liabilities as a percentage of total liabilities*		*After-service health insurance*	
Entity	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*
United Nations (Vol. I)	6 039 033	4 820 748	7 286 717	5 968 213	82.88	80.77	5 390 483	4 274 895
United Nations peacekeeping operations	2 092 580	1 730 184	4 461 311	4 226 731	46.91	40.93	1 679 413	1 367 178
ITC	170 132	88 898	401 161	240 706	42.41	36.93	155 948	78 117
UNCDF[b]	17 803	17 902	20 785	24 366	85.65	73.47	12 644	13 146
UNDP[b]	1 382 761	1 325 518	2 789 992	2 575 022	49.56	51.48	1 047 179	1 036 847
UNEP	250 497	194 520	562 948	427 310	44.50	45.52	205 004	155 897
UNFPA	370 292	387 261	534 769	529 158	69.24	73.18	307 443	332 798
UN-Habitat	37 846	45 247	152 179	145 252	24.87	31.15	26 092	34 707
UNICEF[c]	1 631 156	1 532 289	3 442 415	3 039 720	47.38	50.41	1 348 650	1 287 169
UNITAR	18 773	10 556	20 797	12 506	90.27	84.41	16 313	8 351
UNHCR	1 019 034	776 675	1 269 056	985 545	80.30	78.81	798 877	588 581
UNJSPF	103 989	87 891	256 502	362 889	40.54	24.22	93 611	80 477
UNODC	117 027	116 597	358 832	339 088	32.61	34.39	80 623	87 962
UNOPS	117 378	109 292	2 115 167	2 124 543	5.55	5.14	71 954	67 631
UNRWA	843 569	725 850	935 040	823 182	90.22	88.18	851	585
UNU	13 110	16 173	62 760	72 590	20.89	22.28	8 204	11 191
UN-Women	109 514	90 018	143 353	128 004	76.39	70.32	77 078	64 238
IRMCT[d]	88 212	122 784	147 837	169 679	59.67	72.36	73 623	105 359

Source: Financial statements and information provided by the individual entities.
[a] Excluding pension liabilities.
[b] Differences between the figures reported in the concise summary for 2018 and the same figures for 2018 in the present report are due to restatements made by management.
[c] After-service health insurance balances for UNICEF include its after-service health insurance medical insurance plan.
[d] Excluding pension liabilities of judges.

E. Receivables

27. Receivables are considered to be cash or other assets owed to the organization by another party. Receivables are recognized when a binding transfer arrangement is in place, but cash or other assets have not been received. The Board split receivables into three categories:

(a) Total receivables (assessed contributions, voluntary contributions and other receivables);

(b) Receivables outstanding for one year or longer;

(c) Receivables from other United Nations entities.

28. As at 31 December 2019, the 17 United Nations entities[10] included in table 5 accumulated total receivables (assessed contributions, voluntary contributions and other receivables) of $15,034 million. Receivables outstanding for one year or longer totalled $1,848 million, while receivables from other United Nations entities amounted to $859 million.

29. The entity with the highest receivables is UNDP, at $4,121 million, owing to commitments and agreements with funding partners, including those made for future years.

30. UNEP has the highest receivables from other United Nations entities. In 2019, those receivables totalled $585 million, which is more than twice the aggregate amount of the other 16 entities. This is owing to underlying agreements between UNEP, the Global Environment Facility and the World Bank that cover more than one year and the fact that those funds are disbursed to UNEP from the Facility in tranches of $20 million every two to three months, depending on cash flow needs.

31. Ten entities have receivables of more than $5 million that have been outstanding for one year or more; for four entities (ITC, UNODC, UNU and IRMCT), receivables outstanding for one year or more exceeded 30 per cent of their total receivables. For those four organizations, total receivables outstanding for one year or more totalled $311 million.

Table 5
Receivables as at 31 December 2019
(Thousands of United States dollars)

	Total receivables (assessed contributions, voluntary contributions and other receivables)		*Receivables outstanding for one year or more*		*Receivables from other United Nations entities*	
Entity	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*
United Nations (Vol. I)[a]	2 037 955	2 043 124	16 756	23 990	104 169	103 371
United Nations peacekeeping operations	1 534 121	1 600 325	388 242	384 922	18 346	17 805
ITC[a]	215 213	174 562	120 115	102 477	1 384	2 195
UNCDF[a]	149 355	107 451	85	53	5 102	7 920
UNDP[a]	4 121 374	4 518 401	5 855	4 561	10 288	22 164
UNEP	986 402	819 591	308 167	217 439	585 282	566 199
UNFPA[a]	405 386	350 615	810	772	3 863	1 547
UN-Habitat	182 038	184 682	48 197	29 185	29 582	10 923
UNICEF	3 489 431	3 398 522	6 838	1 461	81 604	48 013
UNITAR	15 953	11 508	4 132	1 561	72	–
UNHCR	1 412 265	1 457 323	–	39 226	60 523	33 075
UNODC	272 851	260 552	135 850	113 513	14 956	6 979
UNOPS	57 904	81 913	961	1 465	13 722	11 335
UNRWA	64 202	66 585	2 805	3 588	255	609

[10] All entities except UNJSPF.

Entity	Total receivables (assessed contributions, voluntary contributions and other receivables)		Receivables outstanding for one year or more		Receivables from other United Nations entities	
	2019	2018	2019	2018	2019	2018
UNU[a]	36 509	46 041	16 622	2 212	9	9
UN-Women	28 120	19 504	2 600	25	15 593	3 831
IRMCT	41 401	50 579	38 730	34 153	1	27

Source: Financial statements and information provided by the individual entities.

[a] Differences between the figures reported in the concise summary for 2018 and the same figures for 2018 in the present report are due to restatements made by management.

F. Expenses

32. Table 6 below shows that, as at 30 June 2019, United Nations peacekeeping operations had the highest amount of expenses of all 18 entities. The total expenses of United Nations peacekeeping operations amounted to $7,733 million, which is a decrease of approximately $241 million compared with 2018. Of the total expenses of United Nations peacekeeping operations, 24.53 per cent were for staff costs, which amounted to a total of $1,897 million in 2019, slightly lower than in 2018 ($1,935 million). In 2019, the number of staff members decreased noticeably (by 12 per cent) to 13,203, compared with 15,048 in 2018.

33. The Board noticed that UNRWA had a high number of staff, with a total of 28,615 staff as at 31 December 2019, the highest number of staff of all 18 entities covered in the report. The Board attributes this mainly to UNRWA being a work agency.

34. The Board also noted that IRMCT was the entity for which staff costs accounted for the highest percentage of total expenses: 72.41 per cent as at 31 December 2019. The staff costs to total costs ratio is higher, not because staff costs of IRMCT are high, but because non-staff costs are low. Even if non-staff members perform the same functions as staff, they are considered contractors, so their costs are accounted for under the non-staff group of experts.

35. By contrast, staff costs accounted for the lowest percentage of total expenses at UNOPS: 11.09 per cent as at 31 December 2019. The Board attributes this to UNOPS being a United Nations entity that focuses on supporting and managing the implementation of projects for the United Nations system and its partners.

36. UNU contractors hired under personnel services agreements are considered to be employees for IPSAS reporting but are not counted as staff according to the staff rules and regulations. Therefore, personnel services agreement salaries are removed from the staff costs per staff member calculation in table 6.

Table 6
Total expenses and staff costs for the year ended 31 December 2019
(Thousands of United States dollars and number of staff members)

	Total expenses		*Staff costs (employee salaries, benefits and allowances)*		*Number of staff members*		*Staff costs as a percentage of total expenses*		*Staff costs per staff member*	
Entity	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*
United Nations (Vol. I)[a]	6 646 401	6 267 316	2 704 825	2 543 154	17 659	17 067	40.70	40.58	153.17	149.01
United Nations peacekeeping operations[a]	7 732 739	7 973 580	1 896 592	1 935 390	13 203	15 048	24.53	24.27	143.65	128.61
ITC	118 952	98 687	55 592	51 726	352	323	46.73	52.41	157.93	160.14
UNCDF	73 573	60 855	21 061	20 915	156	144	28.63	34.37	135.01	145.24
UNDP	4 923 673	5 096 827	788 260	865 059	6 989	7 011	16.01	16.97	112.79	123.39
UNEP	619 018	558 532	183 164	177 816	1 242	1 276	29.59	31.84	147.48	139.35
UNFPA	1 130 203	1 086 020	303 676	290 046	2 935	2 785	26.87	26.71	103.47	104.15
UN-Habitat	178 412	185 748	47 132	45 868	302	293	26.42	24.69	156.07	156.55
UNICEF[a]	6 261 620	5 969 757	1 519 510	1 416 290	15 327	14 396	24.27	23.72	99.14	98.38
UNITAR[a]	28 941	28 584	10 032	10 678	95	92	34.66	37.36	105.60	116.06
UNHCR	4 258 271	4 082 519	1 124 219	996 364	12 833	12 240	26.40	24.41	87.60	81.40
UNJSPF[a]	91 765	70 119	41 348	36 124	275	275	45.06	51.52	150.36	131.36
UNODC	374 841	332 270	125 802	120 018	879	840	33.56	36.12	143.12	142.88
UNOPS	1 190 261	923 668	131 959	123 977	819	756	11.09	13.42	161.12	163.99
UNRWA[a]	1 173 132	1 190 223	684 138	673 816	28 615	29 817	58.32	56.61	23.91	22.60
UNU[a,b]	75 813	90 538	27 255	26 711	124	121	35.95	29.50	219.80	220.75
UN-Women	420 890	380 260	141 833	126 584	1 088	992	33.70	33.29	130.36	127.60
IRMCT	93 262	89 912	67 527	66 918	638	501	72.41	74.43	105.84	133.57

Source: Financial statements and information provided by the individual entities.

[a] Differences between the figures reported in the concise summary for 2018 and the same figures for 2018 in the present report are due to restatements made by management.

[b] Figures for staff costs per staff member are calculated without salaries for personnel services agreements.

G. Budget management

37. In each organization, the budget is a key tool for deciding how resources are to be allocated to deliver strategic objectives. Budgets should reflect an organization's goals and priorities and communicate management's view on the resources required to achieve them.

38. The Board noted that, of the 18 entities covered, 17 have budget expenditure not exceeding the appropriated budget. ITC is the only entity to have a slightly higher budget expenditure than that appropriated. The main contributing factor was the higher-than-expected interest revenues from the cash pool. Expenditure incurred by UNHCR, UNICEF and UNRWA was more than $100 million lower than the budget funds appropriated.

39. The total budget for UNHCR is prepared on the basis of a global needs assessment methodology. At UNHCR, an assessment of the needs of persons of concern serves as the basis for preparing programme budget estimates; this estimation

might deviate from actual expenditure. In 2019, the funds available amounted to $4,415 million. UNHCR is one of the few agencies that use the needs-based budgeting methodology, which is not immediately comparable with the methodology of other agencies. UNHCR uses this budgeting methodology at the request of its member States.

40. For UNRWA, the variation in the utilization of the different budget cost components is due to various factors, such as management action to reduce the cash shortfall; cash and food distribution from the social safety net programme; and other budget reserves.

41. The total budgetary expenditure of UNICEF was $6.50 billion. For UNICEF, the difference between the final budget and the actual expenditure is mainly due to variances in the following budget lines: $173.84 million for other resources – regular; $71.71 million for other resources – emergency; and $35.97 million for the institutional segment.

Table 7
Status of the budget at various entities for the year ended 31 December 2019
(Thousands of United States dollars)

	Total budget 2019		
Entity	*Appropriation*	*Expenditure*	*Difference*
United Nations (Vol. I)[a]	3 061 301	3 061 301	–
United Nations peacekeeping operations	7 158 917	7 117 880	(41 037)
ITC	36 946	37 423	477
UNCDF[a]	10 141	9 335	(806)
UNDP[a]	696 205	665 722	(30 483)
UNEP	94 947	94 078	(869)
UNFPA[a]	402 208	390 278	(11 930)
UN-Habitat	26 977	19 330	(7 648)
UNICEF	6 500 201	6 189 010	(311 191)
UNITAR	29 489	25 866	(3 623)
UNHCR	8 635 927	4 415 291	(4 220 636)
UNJSPF	93 023	81 614	(11 409)
UNODC	388 752	369 451	(19 301)
UNOPS	71 119	70 975	(144)
UNRWA	1 066 804	846 361	(220 443)
UNU	56 057	51 257	(4 800)
UN-Women	442 510	427 710	(14 800)
IRMCT	98 912	95 684	(3 228)

Source: Information provided by the individual entities.
[a] Figures shown for the United Nations (Vol. I), UNCDF, UNDP and UNFPA do not reflect the total budget, but the formally approved budget for regular resources.

III. Findings and recommendations

A. Key findings and recommendations

42. The audit mandate of the Board is derived from article VII of the Financial Regulations and Rules of the United Nations. Pursuant to regulation 7.5, 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 of the Organization. In the following section, the Board therefore presents its key findings and recommendations resulting from the financial and performance audits that it conducted for the year ended 31 December 2019. The Board highlights the major findings and recommendations with respect to the 18 United Nations entities covered in the present report.

43. Since March 2020, the Board conducted most of its audits remotely, including the final audit of most of the financial statements, owing to the coronavirus disease (COVID-19) pandemic.

United Nations (Vol. I)

44. The overall financial ratios of the United Nations as reported in volume I are sound. However, nearly 64.80 per cent of the $4.162.87 million in cash and investment balances are restricted because they relate to balances of trust funds and self-insurance funds and are therefore not available for the discharge of regular budget liabilities. The borrowings from the Working Capital Fund in 2019 could not be repaid, owing to insufficient liquid funds available within the regular budget. Further, borrowings valuing $202.8 million from the Special Account were not repaid at the end of the year.

45. The Board noticed from information provided by the Administration that outstanding contributions of $711.8 million at the end of 2019 were the highest in the past five years. Further, the current year outstanding at the end of the year as a proportion of current year payable and the total outstanding at the end of the year as a proportion of total payable were also highest in 2019.

46. Balances in the regular budget assessed funds, comprising the regular budget fund, the Working Capital Fund and the Special Account were low at year end and have been steadily declining over the last four years. When the balances of the Tax Equalization Fund (64TEA) and the United Nations Development Account (64ROA) are considered, the liquidity position at year end is considerably altered. When the balances of common support funds are also considered, the cash balance position at year end improves further. The Board is of the view that there is a need to review the balances of funds that are presently being used and that can be considered for use in managing liquidity concerns.

47. There was increase in the balance of the cost recovery fund (10RCR) in the cash pool from $152.9 million (2016) to $252.4 million (2019). There was a wide variation in rates for similar activity types in the catalogue rates of December 2019 among entities. There were also wide variations in amounts across the years and between the consumable budget and the consumed budget in respect of some cost centres. The Board also noticed considerable variation in the number of staff included in the cost plans. The basis for identifying staff for whom costs are to be included in the cost plans and hence to be recovered as part of the cost recovery was not clear. There was no consistency in the identification of cost elements for the preparation of cost plans among entities in the Secretariat.

48. With regard to programme support costs, the cost plans also did not have a standard template or a granularity of details. There was a lack of common understanding and clarity among entities regarding the basis to be used for the calculation of staff costs to be included in the cost plans. No details were provided to the Board on agreements whereby the rates to be charged on voluntary contributions for programme support costs were lower than the prescribed rate during 2018 and 2019.

49. Financial transactions are recorded in Umoja, which records expenditure by nature of expense. The budget is aligned by expenditure in different categories. Incomplete alignment of budgeting codes and financial reporting categories results in the need to reallocate budgets for comparative purposes. Consequently, a direct comparison between approved appropriations and expenditure incurred is not possible.

50. Umoja Extension 2 budget formulation solution was, in general, used for post and non-post resource requirements for the programmes and subprogrammes. However, the budget was first prepared using Excel and Word and then figures were entered into the budget formulation solution. Further, the system was found to be slow and some system issues for inputting data were flagged by some users.

51. Budget expenditure cannot be directly tracked against achievement of outcomes or deliverables. There is a need for a time-bound plan to implement and utilize the planned solutions to enable the linking and monitoring of expenditure with outcomes.

52. At the end of service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan, provided they have met certain eligibility requirements, including a period of service in the United Nations system. The Administration used the date of joining as reflected in UNJSPF data for active staff, as it was considered more precise. However, the Board noticed errors in a large proportion of those entry dates. The Board holds that using UNJSPF data for actuarial valuation is not a long-term solution, without proper verification of the dates.

53. The instructions for submitting proposals state that, by submitting a proposal, the proposer confirms having read, understood, agreed and accepted the United Nations General Conditions of Contract and the draft form of the contract. Changes to the General Conditions of Contract and/or the draft contract may be considered at the sole discretion of the United Nations during the evaluation of proposals. The Board found that the Procurement Division had not taken into account changes proposed during the evaluation of proposals. The Board holds that such changes should be reflected in the scoring. If the evaluation does not take into account such deviations, bidders who do not accept the stipulations receive preferential treatment compared with bidders who accept the stipulations.

54. The secretariat of the Central Emergency Response Fund granted no-cost extensions to 29 projects, requests for which had been made after the original project completion date.

55. There were delays of up to 24 days in the submission of interim financial reports for 46 out of 185 Central Emergency Response Fund projects pertaining to five United Nations agencies. The submission of interim financial reports for 14 of 125 rapid response projects was also delayed.

56. The Umoja Extension 2 grantor-country-based pooled funds grant management system bridge had been tested and was finalized by February 2020. The bridge would feed the information into the grantor module of Umoja with the required agreement data. The process would avoid any manual entry of data. The Office for the Coordination of Humanitarian Affairs and Umoja teams were working closely to finalize the roll-out plan for that phase of the data bridge. The data bridge was

intended to commonly benefit both country-based pooled funds and the Central Emergency Response Fund, although the actual degree of usage would vary. It was stated that the Umoja fund-raising module was not ready and did not meet the essential requirements of the Office.

57. The Board has made recommendations throughout the report. The main recommendations are that the Administration:

(a) Review the authority, basis and structure of tax equalization, cost recovery and other common support services funds to identify opportunities for their rationalization and the consideration of their balances in managing the liquidity position of the regular budget;

(b) Carry out a thorough review of cost recovery in the cost-recovery fund (10RCR) to ensure its reasonableness;

(c) Complete the harmonization exercise in a time-bound manner and review existing instructions on cost recovery, including on the engagement of staff out of cost-recovery revenue to ensure that there is a consistent basis for the identification of costs for the purpose of calculating catalogue rates and also for inclusion in the cost plans;

(d) Review the programme support cost framework and related instructions, in consultation with entities, to ensure the transparent and timely availability of information on income and costs and harmonized practices across entities for the preparation of cost plans;

(e) Complete the exercise of aligning Umoja objects of expenditure with budget objects of expenditure within a reasonable timeframe;

(f) Continue to identify opportunities within Umoja to develop tools and applications to support better budgeting and review practices and strengthen existing tools to better track budget utilization against outcomes;

(g) Ensure the correctness of the entry-on-duty date parameters to ensure the reliability of the census data and consequent valuations;

(h) Score change requests to the United Nations General Conditions of Contract and/or the draft form of contract during the evaluation of proposals in procurement cases in which the United Nations considers such modifications;

(i) Engage with implementing agencies to minimize requests for extension, carefully review such requests and grant extensions only in genuinely exceptional circumstances;

(j) Pursue the timely completion of financial reports and the refund of unspent funds;

(k) Expedite the roll-out of the Umoja Extension 2 grantor-country-based pooled funds grant management system bridge and explore its utility and customization for the Central Emergency Response Fund to reduce manual interventions in the recording of financial transactions and the preparation of the trial balance.

International Trade Centre

58. The hiring process for consultants and individual contractors was not competitive in 419 cases, with a total contracted value of $5.22 million (22 per cent), which was not in accordance with the ITC administrative instruction on consultants and individual contractors (ITC/AI/2014/04). Some consultants were awarded several

contracts in 2019 running concurrently on the same days. Selection processes were not rigorous, even for high-value contracts.

59. ITC has been relying significantly on low-value acquisitions, for which procurement processes are not rigorous. The total value of such acquisitions was $7.11 million in 2019, accounting for 34 per cent of total purchases. There were some cases that were split to circumvent the procurement process and some procurements could have been made under system contracts.

60. Project completion reports were not submitted within the stipulated three months after projects had been operationally closed, and delays were often significant. Recommendations of the Independent Evaluation Unit on the reports and on project evaluation were not acted upon in a time-bound manner.

61. The time taken for the financial closure of projects from their date of operational closure was significant, running to more than 12 months in a number of cases. The project management guidelines do not contain a specific timeline for financial closure after a project is operationally closed.

62. There were deviations from the standard template for signing grant memorandums of understanding with grantees. The incorporation of the standard provision was essential to ensure the veracity of the payments made to participants in training programmes and workshops and to report in-kind contributions, so as to comply with the United Nations IPSAS policy framework for disclosure in the financial statements.

63. In the light of the findings mentioned above, the main recommendations from the Board are that ITC:

(a) Select consultants through a competitive process and establish a more rigorous formal selection process for consultants and individual contractors with annual consultancy fees exceeding a suitable threshold, and annual ex-post review of contracts in all cases by ITC management;

(b) Consider establishing standard operating procedures for a formal ex-post review by Central Support Services to oversee compliance with organizational rules governing low-value procurements and to take follow-up action. In the ex-post review, it should be considered whether services procured for fulfilling mandates were cost-effective;

(c) Enforce accountability at all levels for the timely completion of high-quality project completion reports within the prescribed three months, as well as timely implementation of recommendations from the evaluation and the annual evaluation synthesis report, in accordance with agreed timelines reflected in the management response;

(d) Incorporate specific timelines into its project management guidelines for completing the financial closure of a project after its operational closure;

(e) Adhere to the provisions of the grant memorandum of understanding template, in particular conditionality for payment in the case of projects with training components.

United Nations Capital Development Fund

64. In the UNCDF enterprise risk management policy, a risk register is described as a risk management tool that serves as a record of all risks identified by the unit. For each risk identified, the risk register should include information such as likelihood, consequences and treatment options.

65. The Board noted that the UNCDF risk management platform served as its risk register. The platform included risks at the programme level. For global and regional programmes, the risk management platform did not include risks identified in the countries in which the programmes were implemented. The Board holds that such practices limit UNCDF from having a holistic appreciation of the risks in question.

66. The Board further noted that the risk management platform was not designed to distinguish between the risks from different programme layers, for example, global and local layers. The Board holds that different layers in the risk management platform could facilitate risk management for programme managers and programme area units (practices). Different layers could also facilitate the consolidation and aggregation of risks identified at the local level.

67. The work and performance of an individual contractor needs to be evaluated and monitored by the responsible manager on a regular basis to ensure that the contractual obligations are fully met. The key elements for such monitoring are the deliverables, time frame and costs. The Board found that the set-up of purchase orders in Atlas, the enterprise resource planning system, did not facilitate such monitoring. In some cases, deliverables were entered in a consolidated manner into the purchase orders contained in Atlas. Efficient monitoring of deliverables in those cases required the related contract and the terms of reference. The Board holds that the entry of individual deliverables into the purchase orders contained in Atlas could facilitate the monitoring of the deliverables.

68. Amendments to an individual contract may be made when it is extended beyond the initial contract period and/or when there are minor modifications to the contract provisions. Amendments can be made owing to unforeseen circumstances or incidents that caused delays in the completion of work or owing to additional activities in line with the original terms of reference. The justification provided should explain why additional work is being executed through an amendment and not through the issuance of another contract. Any substantial revision of the terms of reference and/or revised deliverables requires a new competitive process.

69. The Board noted from its selected sample of individual contracts that contracts were amended with up to three extensions. Among them, the Board found some cases in which UNCDF had significantly raised the original contract value, by up to 177 per cent. In these cases, the Board also noted that the amendments added deliverables and outputs or changed those set out in the contract and/or in the terms of reference. In accordance with the policy on individual contracts, in both cases, UNCDF should have considered these amendments to be substantial contract revisions that required a new competitive process.

70. With regard to the above findings, the Board recommends that UNCDF:

(a) Review and define its risk management platform to formalize the arrangement and risk recording system across its organization in order to comply with its enterprise risk management policy and to record risks identified;

(b) Assess whether monitoring of travel expenses and deliverables against contracts may be facilitated by additional guidance on how contracts should be translated into purchase orders;

(c) Enhance compliance with the policy on individual contracts by initiating new competitive processes in case of substantial contract revisions or provide appropriate justifications for direct contracting and strengthen the instrument of procurement planning.

United Nations Development Programme

71. The Board welcomes the effort made by UNDP to further review its contribution agreements and, based on the analysis, to refine its policies and procedures and to fully implement the corresponding recommendation. The Board noted that funding partners contributed resources to UNDP for staff through different programmes, and that some staff in those programmes were assigned to the resident coordinator system. Since 1 January 2019, the resident coordinator system has been separate from UNDP. UNDP initiated the payments for the costs related to those staff but, in the end, did not bear the expenses. The Board holds that there was no inflow of or decrease in economic benefits for UNDP.

72. The Board noted that the three lines of defence model had been introduced for UNDP risk management and governance with the revision of the UNDP enterprise risk management policy. The Board noted that external oversight bodies such as the Board had been included in the third line of defence. In line with the international standard for the three lines of defence model, external oversight bodies are considered to be external to the model. The Board holds that external oversight bodies should not be considered a substitute for the internal lines of defence as it is an organization's responsibility to manage its risks, not the responsibility of independent third parties.

73. The Board noted that the assessment of fraud and corruption risks was integrated into the overall enterprise risk management process of UNDP. The Board also noted that the number of fraud risks identified by country offices and recorded in the risk registers was low and often not plausible given the context that country offices are operating in. Thus, the Board obtained only limited evidence on whether and how the assessment of fraud and corruption risks was integrated into the overall enterprise risk assessment process of UNDP.

74. The Board reviewed the UNDP policy on fraud and other corrupt practices (UNDP anti-fraud policy) and considered it to be suitable to provide guidance on how UNDP aims to prevent, detect and address fraudulent acts. The Board noted that despite related oversight recommendations, at the time of the audit, UNDP did not have a separate strategy document in place to complement its implementation of its anti-fraud policy. However, UNDP stated that it was currently working on preparing a separate strategy document.

75. The Board was provided with details on actions implemented in the following five areas: banking actions; financial attestation; fiduciary risk management and harmonized approach to cash transfers; procurement action; and human resources, people and capacity. In addition, the Board noted that UNDP had developed a fraud risk management framework action plan in 2016 and had identified 19 areas of concern within its operating environment. UNDP initially intended to implement the plan over a period of two years, with regular reports to the Organizational Performance Group. The Board noted that the implementation of the action plan was ongoing at the time of the audit but did not note documented regular reporting to the Organizational Performance Group on the current status of implementation.

76. The Board followed up on matters of non-compliance identified in its previous report (A/74/5/Add.1) with regard to the UNDP internal control framework. The Board noted that UNDP had attempted to address those matters through an inter-office memorandum issued in October 2019. Pursuant to the memorandum, all country offices were required to review their internal control frameworks. However, the inter-office memorandum alone did not lead to the full implementation of one compliance issue identified until an automated control to enforce segregation of duty between first and second authority approval at the transaction level was put in place. Since December 2019, requisitions and purchase orders can no longer be approved by

the same person as a result of that automated control. The Board was further informed that UNDP had intended to replace its current enterprise resource planning system. The Board welcomes that intention, as it might offer the opportunity to strengthen effective controls and analytical capacities.

77. The Board identified bank signatories who held the vendor approver role, which was not in line with the operational guide. In this regard, the Board noted that guidance on segregation-of-duty requirements for bank signatories could be enhanced by providing all information relevant for a topic in the same place.

78. Although it was not permitted pursuant to the UNDP internal control framework, the Board identified 44 service contract holders and United Nations Volunteers performing internal control functions. In addition, the Board found that one service contract holder had been provided with a supplementary role in the enterprise resource planning system that allowed overriding match exceptions. In line with the internal control framework of UNDP, this is a sensitive role given the risks involved.

79. During its field visits, the Board further found various additional controls applied by country offices, such as mandatory e-tendering for all solicitations or lower thresholds for the mandatory creation of purchase orders. The Board noted that country offices had implemented additional controls to specifically reduce the risk of fraudulent activities. The Board also noted that some effective and cost-efficient anti-fraud controls, such as rotation of tasks or portfolios and mandatory vacations, were unknown to most of the staff members interviewed.

80. In addition, the Board identified vehicles owned and operated by one of the country offices visited. The vehicles were not recorded in the enterprise resource planning system. The Board noted that the Office of Audit and Investigations had reported a similar case, in which vehicles in a different country office were not recorded in the enterprise resource planning system. Pursuant to UNDP policies, all vehicles were subject to physical verification at least annually, including the reconciliation of physical verification results with the records. In the view of the Board, this is necessary not only to ensure sound accounting records but also to minimize the risks related to the disposal of vehicles.

81. The Board also noted the inclusion of ineligible vendors in the vendor master files of country offices. At least one country office was continuing a business relationship with a vendor despite the debarment of the vendor by UNDP. The Board holds that this situation was the result of policies and procedures for vendor management that revealed room for enhancement. Potential enhancements included more robust requirements for continuous due diligence and eligibility screening by business units.

82. The Board was informed that the UNDP vendor review committee had not been operating at full capacity owing to staff shortages from 2017 to March 2019. Meetings were also less frequent compared with prior years. The Board noted that, at the time of the audit, 66 cases submitted to the vendor review committee were pending.

83. With regard to the above findings, the Board recommends that UNDP:

(a) In the next financial statements, derecognize revenue and expenses for staff costs related to staff for whom funding partners contributed resources and who were assigned to the resident coordinator system;

(b) Revise its enterprise risk management policy to exclude external oversight bodies such as the Board of Auditors from the third line of defence;

(c) Enhance the awareness of country offices and other units on how to conduct fraud risk assessments in an integrated manner, for example by presenting good practices at regional or annual retreats for its managers;

(d) Tighten the assertions by adding an affirmative statement that an office has assessed fraud and corruption risks in an integrated manner as required by the anti-fraud policy and the enterprise risk management policy;

(e) Define its organizational priorities through an organization-specific anti-fraud strategy that should incorporate current good practices;

(f) Continue to implement its fraud risk management framework action plan and provide regular updates on its status to the Risk Committee that should be documented in the meeting minutes;

(g) Further refine its internal control framework to strengthen its implementation;

(h) Assess the application of good practices such as task rotation in contexts where a higher risk of fraudulent acts has been identified;

(i) Enhance awareness of the importance of fully complying with existing requirements to physically verify the existence and completeness of vehicles and to fully record all vehicles in the enterprise resource planning system for country offices where deviations from the records were identified;

(j) Implement the recently established process to regularly review its vendor databases to exclude ineligible vendors.

United Nations Environment Programme

84. The Board observed that UNEP headquarters did not have consolidated management of the financial and project information of its offices deployed worldwide (e.g. regional, country and project offices and secretariats of multilateral environmental agreements), so that staff at headquarters had to manually request the information from each field office to prepare reports. In addition, the Board noted cross-cutting issues at the field office level in the areas of work planning, achievement measurement, reporting and budgeting that lacked the attention from headquarters in terms of establishing procedures to guide the management of UNEP as a whole.

85. The Board is of the view that article 24 of the Convention on Biological Diversity, which specifies the functions of the secretariat of the Convention, has been overtaken by the reality of the Conference of the Parties' decisions and is not, at this stage, a clear regulatory framework that could be taken as a referent of the duties to be fulfilled by the secretariat of the Convention on Biological Diversity. In addition, an administrative arrangement signed between the secretariat of the Convention on Biological Diversity and UNEP headquarters – which takes into account several administrative functions assumed by the secretariat – has also been surpassed by the reality, as the non-administrative functions acquired, such as the programmatic functions, are not covered by the arrangement.

86. The Board reviewed a sample of eight ongoing projects of the Regional Office for Latin America and the Caribbean and two projects (out of three) of the Regional Office for Africa. All of the projects analysed presented delays at the onset of their implementation. Postponements of the projects ranged from 5 to 16 months.

87. With regard to the UNEP partnership policy and procedures, the policy stipulates that the selection of not-for-profit executing partners should be prefaced by a comparative review process involving at least three candidate organizations. From a sample of six not-for-profit implementing partners, the Board noted five cases in which the required comparison was not performed or where the comparison of candidates done by UNEP was not sufficiently accredited. In addition, the evaluation processes used to select the implementing partners were not supported by measurable criteria or scoring factors that allowed the decision to be based on quantitative terms.

88. The Board realized that UNEP did not identify whether agreements were subject to restrictions or conditions in order to recognize their respective liabilities, taking into account the “substance over form” criteria required by IPSAS. These situations are not in line with the United Nations Policy Framework for IPSAS for non-exchange transactions.

89. The Board analysed all of the hiring processes for consultants and individual contractors during 2019 at the secretariat of the Convention on Biological Diversity. Among other issues, there were selection processes where applicants who were not recommended were considered as candidates. With regard to individual contractors, there were selection processes in which candidates who were not recommended in the previous step of the selection process were considered as candidates. In addition, with regard to the consideration of those applicants who were recommended for their technical skills, the Board found that, in general, there was no compliance with the rule that requires the consideration of three candidates during the selection process. Furthermore, the Board found that the technical evaluation was carried out without analysing whether the applicant had permission to work in Canada in those cases where the terms of reference contained that requirement.

90. In the light of the findings mentioned above, the main recommendations of the Board are that UNEP:

(a) Set up an up-to-date dashboard with the consolidated financial and project data of the regional presence and secretariats, identifying all sources of budgetary and extra budgetary financing, income and expenses, and information on projects and/or activities, in order to ensure an extensive view of UNEP worldwide presence;

(b) Establish monitoring and control mechanisms over the workplans delivered by regional offices and secretariats of multilateral environmental agreements to guarantee the accomplishment of the objectives of the UNEP programme of work and to ensure the fulfilment of the organization’s secretariat functions;

(c) Implement a results-based budgeting approach at the regional and secretariat level;

(d) Establish the proper liaison between its headquarters and the Executive Secretary of the Convention on Biological Diversity and its Protocols in order to agree on the procedures and responsibilities that each entity shall assume with regard to the provision of secretariat services to the Conference of the Parties to the Convention on Biological Diversity, including the aspects related to non-administrative functions;

(e) Liaise with the Executive Secretary of the Convention on Biological Diversity to propose to the Conference of the Parties to the Convention on Biological Diversity and its Protocols the adoption of a memorandum of understanding. If agreed, this instrument shall include the arrangements for the provision of secretariat functions by UNEP aiming to establish a regulatory framework that sets out clear responsibilities, transparency, guidance and accountability among the Parties and the Member States;

(f) Coordinate with the Regional Office for Latin America and the Caribbean and the Regional Office for Africa in order to take liaison measures with the external institutions involved in project implementation, with the aim of improving the efficiency of the project implementation process;

(g) Expedite the recruitment process of project coordinators as a principal priority and, subsequently, the recruitment of the personnel to support project implementation, taking into consideration the committed starting date;

(h) Liaise with the Regional Office for Latin America and the Caribbean to coordinate and organize in a timely manner the inception workshops to start with the project review and, subsequently, begin its implementation;

(i) Coordinate its budget allocations in a timely manner, in order to comply with the execution schedule of project workplans;

(j) Establish a control mechanism that ensures compliance with the provisions of the partnership policy and procedures with regard to the requirement to compare at least three candidate organizations. This mechanism should include the correct documentary record of the performance of the comparison;

(k) Include, in the evaluation process of candidates, records of their compliance with the requirements to be an implementing partner of UNEP and, in addition, implement a weighting or scoring system of the factors evaluated to ensure greater transparency in the selection process;

(l) Identify, within the requirements that UNEP considers when evaluating a candidate, those that are requested by the donor, so that the process is more transparent and creates a climate of trust between the different stakeholders towards the processes of implementing partner selection carried out by UNEP;

(m) Coordinate with the United Nations Secretariat and the United Nations Office at Nairobi to assess and elaborate a new accounting policy in order to establish an enhanced basis for decision-making on recognition of non-exchange transactions, in line with IPSAS 23;

(n) Implement appropriate controls to measure the level of accomplishment of contribution agreements and to make the necessary budgetary and programme of work adjustments before the year's closure;

(o) Implement a mechanism to ensure proper support documentation for the contribution agreements uploaded in Umoja;

(p) Reinforce UNEP control mechanisms at the secretariat of the Convention on Biological Diversity to ensure that the selection processes of consultants and individual contractors are competitive and transparent and consider at least three recommended applicants;

(q) Establish and correctly document an initial control mechanism at the secretariat of the Convention on Biological Diversity to verify whether the applicants for consultants and individual contractors have permission to work in the country, when that is required by the terms of reference, as a first filter before starting to make any evaluation of the candidate.

United Nations Population Fund

91. The Board detected that Atlas, the enterprise resource planning system of UNFPA, had weaknesses that hindered the procurement process and compliance with the internal regulations; inter alia, the different thresholds established in the Procurement Procedures had not been set as parameters in the system; the system could not automatically generate purchase requests and such requests were not associated with a specific country office. With respect to third-party procurement, the Board found that the Procurement Services Branch could generate a purchase order in the system on behalf of a third party without a preventive control, either manual or automatic, to verify that the third party had made the advance payment for the total amount of the acquisition.

92. Moreover, regarding the traceability of each procurement process, the Board noted that the Atlas system did not automatically associate the purchase order with

the respective long-term agreement. The Board also detected that the Procurement Services Branch used Excel spreadsheets as a monitoring tool to support procurement focal points in performing their tasks. The spreadsheets existed in several versions and copies, and were not centrally managed.

93. Lastly, it was observed that the Atlas system lacked functionalities to allow preventive monitoring of the procurement process in terms of transactions.

94. In reviewing programme management at the Ethiopia, Mozambique and Myanmar country offices, the Board noted that the country offices had approved, through the funding authorization and certificate of expenditures form, expenditures from periods prior to the date of signature of the respective workplans. In addition, a number of invoices paid on behalf of implementing partners corresponded to years prior to the signature of the agreement between UNFPA and the implementing partner.

95. In addition, advance and reported expenses had been authorized, although no activities were planned for the period in the workplan.

96. During the audit process, the Board noted that the Mozambique and Myanmar country offices had not maintained the shipment tracker of the purchasing module of Atlas updated with regard to the handover of supplies to implementing partners. The Board is of the view that not updating the shipment tracker in this way could result in expenses and inventories being recorded in the wrong period in the financial statement, affecting management decision-making. In addition, the Board noted a lack of supporting documentation in the shipment tracker, inter alia, lack of evidence of physical inspections, absence of bills of lading or air waybills and non-provision of receiving and inspection forms.

97. With regard to the above findings, the Board recommends that UNFPA:

(a) Improve preventive controls, in order to ensure that all UNFPA business units conduct procurement processes in accordance with the thresholds established in the procurement procedures (from the perspective of the solicitation method and procurement authority), and conduct solicitation and contract management using tools based on enterprise resource planning;

(b) UNFPA ensure that the Procurement Services Branch coordinate with each procurement process user, in order to make the business analytics team of the Branch aware of the users' requirements, with the main objective of building standardized, timely and useful monitoring tools and reports for the users;

(c) In coordination with its country offices, recognize correctly the expenditures incurred by implementing partners, in order to avoid expenditures that are not aligned with the workplan or ineligible for agreements signed between the parties;

(d) In coordination with headquarters, build capacity and provide training to country office staff, in order to ensure that the criteria for accepting expenditure are respected, in accordance with the policies and the applicable regulations;

(e) In coordination with its Mozambique and Myanmar country offices, update inventory transactions in a timely manner and accurately record them, in order to avoid inaccurate financial reporting for management decision-making;

(f) In coordination with its Ethiopia and Mozambique country offices, carry out all procedures established in the Policy and Procedures on Management of Programme Supplies in a timely manner, keeping the flow of operations updated and with the respective documentation in the shipment tracker.

United Nations Human Settlements Programme

98. Concerning voluntary contributions, it was observed that five non-exchange agreements, which totalled $2,425,145, had been signed in 2018, although their income recognition was accrued in 2019. Similarly, five non-exchange agreements, totalling $954,788, were signed in 2019, although their income recognition was accrued in 2020. The situation exposed is not in accordance with the meaning of accrual basis set out in IPSAS 1: Presentation of financial statements.

99. With regard to the implementation of projects through the implementing partners, it was observed that three agreements of cooperation, with their relevant amendments, presented dates that had expired prior to the subsequent amendment entering into force, revealing expiration gaps of approximately four and a half months, three months and three weeks. This situation is not in accordance with the UN-Habitat implementing partners policy, pursuant to which the project manager needs to monitor the validity of the agreements of cooperation and ensure their timely and advanced extension.

100. In relation to the implementation of projects developed by the communities, it was observed that the amounts of community agreements had exceeded the maximum amount indicated in the document entitled “Guidelines on the use of UN-Habitat’s agreements and legal instruments”.

101. With respect to the non-staff members who serve in the Afghanistan country office, it was noted that 98 per cent of them had been contracted through a non-United Nations entity. In this regard, the absence of a formal instruction for regulating the personnel contracted through this modality was observed.

102. With regard to the recruitment process done through the non-United Nations entity, several insufficiencies were observed related to terms of reference, announcements of positions, names of individual contractors, panel members, results of evaluations of applicants, certificates of good health, individual contracts and contract extensions.

103. More than 120 cases of incorrect calculations of overtime, both as compensatory time off and as additional payment, in contravention to information circular UNON/IC/2015/07, were observed.

104. With regard to the above findings, the Board recommends that UN-Habitat:

(a) Establish sufficient controls for legally enforceable agreements in order to have voluntary contributions correctly accounted during the same year in which they become binding;

(b) Comply with the implementing partners’ policy, by extending the agreements of cooperation and their amendments prior to the expiration date, thereby avoiding uncovered periods in the agreement;

(c) Take the measures necessary to ensure that the maximum amounts for community agreements are reviewed and clearly established, in a formal instrument;

(d) Issue a formal document that provides guidelines for personnel contracted by non-United Nations entities, in order to ensure a proper recruitment process performed by these entities;

(e) Monitor the non-United Nations entity in order to ensure that it performs a proper recruitment process;

(f) Ensure that overtime as compensatory time off and additional payment are calculated in accordance with information circular UNON/IC/2015/07 and other applicable instructions, in compliance with the official work schedule established by the Nairobi duty station.

United Nations Children's Fund

105. UNICEF had invested $640.74 million (gross amount) to fund after-service health insurance liability as at 31 December 2019. The after-service health insurance investment portfolio of $542.35 million was classified as current investments and an investment of $98.38 million in bonds was classified as non-current assets. The investment objective of the after-service health insurance fund was to achieve returns that were consistent with adequate funding of the benefits over the investment horizon and not to generate short-term profits. Therefore, the investment portfolio was in the nature of non-current investment with a long-term horizon to match the long-term liability. The Board is of the view that the classification of 85 per cent of the after-service health insurance investment portfolio as current assets was not appropriate.

106. UNICEF is implementing a budget formulation tool, which is a web-based application designed to help to improve its ability to link results to resources. The project was conceived in 2014–2015 and initiated in 2016. System performance had slowed down to an unacceptable level owing to heavy data processing. By mid-July 2019 and thereafter, the tool was taken offline so that it could be rectified. The tool is critical for appropriate planning, budget consolidation and appropriately linking planned and actual expenditure.

107. In the UNICEF Strategic Plan, 2018–2021, there are five interlinked Goal Areas, which contribute to the implementation of the 2030 Agenda for Sustainable Development. Goal Area 2, "Every child learns", is aligned with Sustainable Development Goal 4. The Board noted that accelerated efforts would be needed to meet three of the output indicators of Goal Area 2 because their actual achievement was behind the targets for 2019. With respect to another five output indicators, achievement against the various dimensions was not satisfactory for a number of countries.

108. During a review of programme performance at the Ethiopia country office, it was noticed that, of 31 outcome indicators set against six programme components, performance gaps existed in the targets for 13 indicators, while no target was set for the year 2019 for another 4 indicators. Ratings given in the result assessment module were inconsistent with the actual achievements for nine of the outcome indicators and data on the status of four outcome indicators were incomplete in the module. Moreover, some outcome indicators used in the module did not fully cover the requirements of the country plan document. The Board also noticed gaps in the baseline figures used in the module. Considering that total fund allotment was 1.6 times the planned resources for the programme components and the actual utilization had exceeded 84 per cent of that allotment, the level of achievement of the targets under different outcome indicators reflected significant risks to the achievement of the country plan targets.

109. Cash transfers represent a large portion of the spending of UNICEF and are a key modality of programme implementation to achieve the Fund's strategic objectives. UNICEF adopted a harmonized approach to the cash transfer framework in February 2014. The Board noticed that there were shortfalls in the achievement of programmatic visits in 8 country offices and in spot checks in 17 country offices.

110. The Supply Division procured 10,289 standard materials worth $2.26 billion, of which 818 worth $105.5 million (8 per cent of standard materials procured) were not purchased under long-term agreements. The cost of materials purchased without such agreements was higher in 34 cases compared with the same materials purchased through agreements during 2019. In addition, there were 182 standard materials

ordered through 705 purchase orders, for a total value of $29.75 million, for which there were no long-term agreements.

111. Inventory valued at $54.40 million (28 per cent of total stock) was held in country warehouses for more than 6 months, which included $28.99 million worth of inventory held for more than 12 months and $21.21 million worth of inventory held for more than 18 months. Inventory funded from "Other Resources – Emergency" programmes valued at $14.91 million was held for more than 12 months, including inventory valued at $12.13 million held for more than 18 months. Inventory more than 18 months old included medical supplies and medicines that have a limited prescribed shelf life.

112. It was noticed that 18 per cent of the supplies to be received from the suppliers had been delayed. That delay was especially pronounced in "Assets/Consumables" and "Direct Order" purchase orders. Deliveries pertaining to some purchasing groups were also seen to be delayed. The Board noticed that six major suppliers were responsible for more than half of the delayed deliveries. However, liquidated damages were imposed only on one of those suppliers in the case of one purchase order, and no details of any other contractual remedy being applied, of or justification for not applying any contractual remedy, was noticed in other cases of delays.

113. A total of 25.5 per cent of emergency orders were not delivered on time. Although rapid-response orders were processed and delivered in 2.5 days on average against the prescribed lead time of 72 hours, emergency orders and other emergency orders were processed and delivered in 34.2 days and 97.3 days, respectively, against the prescribed lead times of 14 and 60 days, respectively.

114. In accordance with the office management plan for the period 2018–2021 of the Information and Communications Technology Division, a high-risk level was assigned to information security residual risks, and risk assessment was identified as one of the important mitigation measures in that regard. However, a formal information security risk assessment was yet to be carried out.

115. User ID data in the human resource master database were not linked automatically with the VISION user ID data. The Board noticed mismatches while comparing data in those two data sets. The matters identified included users from one data set not being found in the other and validity of VISION user IDs extending past their contract expiry dates. Instances of the continuation of user IDs, even after separation, and of more than one user ID for the same person were noticed.

116. The business continuity plan was not formally reviewed and updated after 2013, and the disaster recovery plan had not been updated since September 2016. No meeting of the crisis management team was conducted after December 2018, and there had been no formal follow-up of pending issues since then. The primary data centre, disaster recovery sites and their data backups were located in the same geographical area. Moreover, weaknesses in the management of contracts regarding the primary data centre and back-up services were also noticed.

117. Many cases were returned to the offices concerned, with their number increasing progressively from September 2019 to December 2019. The percentage of cases returned was highest in the payroll area (47.71 per cent), followed by human resources administration (23.11 per cent). Missing/inaccurate/illegible documents and missing/ inaccurate information were the major reasons for the return of cases.

118. The Board noticed instances of erroneous document dates, planning dates and baseline payment dates. Cases of posting dates, baseline payment dates and clearing dates being prior to the document dates in the invoices processed were also seen. There were cases of old invoices being processed, a delay in payments and early

payments. The Board also noticed cases of old outstanding staff advances, including those of staff who has already been separated.

119. On the basis of its findings, the Board recommends that UNICEF:

(a) Consider classifying the long-term components of the after-service health insurance investment portfolio as non-current investment;

(b) Adopt a mission-mode approach to ensure the successful and expedited implementation of the budget formulation tool;

(c) In the interest of organizational efficiency and maintaining uniformity, review the output indicators and their application and assessment across the country offices;

(d) Review and strengthen its programme monitoring system in order to ensure the effective achievement of planned results;

(e) Carry out an analysis of the reasons for gaps in the achievement of country plan targets in the Ethiopia country office and identify the remedial measures necessary to improve the achievement of the objectives and targets of the country plan in the country office;

(f) Explore ways to strengthen the evaluation and internal assurance processes to introduce improved accuracy into the reporting of baselines and achievements in the Ethiopia country office;

(g) Identify the reasons for gaps in achieving the minimum level of assurance activities and take urgent action to ensure that, at the very least, the minimum level of assurance activities is carried out for all the implementing partners in the Eastern and Southern Africa region in a timely manner, and in this regard reiterates its recommendation (A/74/5/Add.3, para. 79) that UNICEF review the status of assurance in other country and regional offices and take the measures necessary to fill the gaps;

(h) Continue to strengthen the implementation and monitoring of the Yemen emergency cash transfer project, taking into consideration the evolving situation and lessons learned from implementing the project on the ground;

(i) Ensure that specific reasons and justification are recorded for each case in which purchase orders are placed outside the relevant long-term agreement;

(j) Explore ways to further strengthen the inventory management system in order to address inventory turnover and ageing;

(k) Ensure that applicable contractual remedies are applied consistently in the cases of delays in deliveries and, in particular, record the basis for the decision whether to apply the contractual remedies for each case of delay by all the suppliers;

(l) Take steps to get an appropriate level of penetration testing done on the critical applications and networks, through which these applications are accessed, which would help to identify the security vulnerabilities and result in urgent action taken to patch them;

(m) Take steps to ensure automatic data synchronization between human resources master data and VISION user ID credentials by instituting the mandatory input of account number/personnel number when creating the user ID. The Board also recommends that account/personnel numbers be updated in all such cases in the database;

(n) Consider deactivating and locking all older user IDs, in lieu of which new user IDs were issued to the same user, and enforce the password change policy, as detailed in the UNICEF standard on information security: access control;

(o) Draft a policy for locking access to VISION for inactive users after a predetermined period;

(p) Take action to formally review and update the headquarters business continuity plan on top priority and other areas, including ICT risks identified in enterprise risk management and developments/changes in information technology systems such as SAP HANA;

(q) Ensure that the requirements of the United Nations organizational resilience management system should inform the review and updating exercise and that crisis management structures meet regularly, pursuant to the management system, as well as ensure timely action to address the risks identified;

(r) Consider ensuring a safe distance between the headquarters primary data centre and the disaster recovery data centre without significantly affecting productivity and access to real-time data;

(s) Ensure that regular inspections of the headquarters data centre and back-up sites and the regular monitoring of performance of the relevant vendors are carried out and duly documented, so that there are adequate assurances regarding controls, including environmental and safety measures and regarding the performance of the vendors in accordance with the agreement;

(t) Engage with the offices concerned to analyse the reasons for a large number of cases being returned and take action to improve the case submission process in order to minimize their return by the Global Shared Service Centre;

(u) Incorporate necessary input controls and improve validation checks in VISION for all important parameters for the processing of invoices;

(v) Plan and implement a mechanism for the timely submission of invoices by all its offices;

(w) Prepare a plan of action for the clearance of old outstanding cases and for the Global Shared Service Centre to review the current policies and procedures on repayment/recovery of advances/overpayments and put in place standard criteria for their management, as well as to ensure adherence to the repayment plan.

United Nations Institute for Training and Research

120. The Board found deficiencies in the approval process of exceptions to standard full cost recovery rates.

121. During the visit, the Board noted that loans issued to UNITAR programmes did not follow the criteria and conditions established in administrative circular AC/UNITAR/2016/12. In addition, UNITAR had to write off non-recoverable loans amounting to $235,575.20 overdue from the Institute’s public finance and trade programme with an average ageing of 679 days.

122. The Board observed that the request-for-purchase process was made manually. In addition, it was noted that the receipt of goods and/or services was performed by staff not related to the procurement process.

123. The Institute signed an operations agreement with the Defeat Non-communicable Diseases Partnership without a proper risk assessment. The Board further noted that there was no regulatory framework regarding the implementation of UNITAR hosting agreements for agencies.

124. The Board noted that no follow-up was given to the risk assessment regarding conflicts of interest at the Institute.

125. In the light of the findings mentioned above, the main recommendations of the Board are that UNITAR:

(a) Strengthen the criteria for the approval of exceptions to standard full cost recovery, and consider the analysis, with financial implications, carried out by the Finance and Budget Unit of UNITAR prior to the signature of the agreements, in order to avoid future negative cost-recovery gaps;

(b) Reinforce the compliance of the criteria for the authorization of the revolving loan fund with the criteria established in administrative circular AC/UNITAR/2016/12;

(c) Evaluate the feasibility of automating the request for the purchase of goods and services through the Atlas system or another alternative tool;

(d) Improve the receipt-of-goods-and/or-services process by including the requisitioners in the Atlas system;

(e) Undertake a proper risk assessment before signing new hosting agreements for agencies;

(f) Develop a policy or guidelines in which the requirements, conditions and obligations are specified for the hosting agreements;

(g) Follow up on the risk assessment related to conflicts of interest and review and monitor the mitigation measures identified in the UNITAR risk register.

Office of the United Nations High Commissioner for Refugees

126. Based on the findings of the Board in the previous audit report, UNHCR recalculated and increased the after-service health insurance liabilities by $21.1 million in 2019. The reason for the need to recalculate was that UNHCR did not have comprehensive information about the service and health-care plan participation history of its staff members. For the 2019 calculation, UNHCR used an alternative source of data and obtained additional data from UNJSPF to cross-check the estimate. However, the current elements of the census data are still not well suited for this purpose. The time-dependent eligibility is determined on the basis of entry-on-duty dates. The entry-on-duty date might be chronologically correct, but it is not suitable for valuing after-service health insurance liability. For the after-service health insurance valuation, a data field such as “accumulated qualifying months of participation” would be useful.

127. The Board made a number of observations that showed room for improvement in the inventory process. The Board found, inter alia, that the whereabouts of inventories recorded on the account “in transit” in the amount of $16.6 million were not clear and had to be verified in a cumbersome and time-consuming effort. In several cases, inventory items had been processed entirely outside the inventory module of the enterprise resource planning system. Inventory in transit from suppliers was distributed without the mandatory material stock request and the physical inventory verification processes did not reveal the existing discrepancies between actual and system quantity. The Board holds that additional steps need to be taken to ensure that control mechanisms work effectively to avoid weaknesses in the process.

128. The Board noted that the update process for roles in the procure-to-pay process and the review of conflicting roles is manual, cumbersome and carries the risk of errors. The Board holds that an electronic, systemized tool would be helpful to simplify the process, to save time and resources, to have increased assurance through system-integrated controls and to improve oversight.

129. In 2019, the decentralization and regionalization process focused on the restructuring of the regional bureaux. In August 2019, UNHCR issued new resource allocation procedures for resource planning and management in a regionalized organizational design. In October 2019, UNHCR released three documents outlining

the roles, accountabilities and authorities for country offices, regional bureaux and divisions. From January 2020, the seven regional bureaux became operational.

130. The Board reviewed the new structure in the light of the "three lines of defence" model and found potential for clarification. The Board noted that the same areas of responsibility were assigned to the country operations as the first line of defence and the bureaux as the second line of defence. Furthermore, the same functions were assigned to the bureaux and headquarters divisions as a second line of defence. The Board holds that UNHCR needs to revise the roles, accountabilities and authorities in these areas to eliminate overlaps and clarify the respective roles.

131. With the new regional bureaux, new positions were created. The Board found that the concrete roles and responsibilities of these new positions were not clearly and transparently defined.

132. The evaluation is an important aspect of any reform or change project. Organizations need a mechanism to measure progress and change, costs and benefits. Only then can the organization provide accountability to its staff, the governing bodies and other stakeholders for what has been achieved and what was spent. The Board found that UNHCR had monitored only progress aspects of the decentralization and regionalization project. However, UNHCR has not started with the overall evaluation.

133. In 2019, a total of $784.7 million (58 per cent) of the implementing partnership expenses related to the procurement of goods and services by partners. Before a partner is entrusted with procurement activities, the country offices need to analyse whether procurement by a partner would have a comparative advantage. The Board reviewed a sample of such analyses and noted that the country operations had not quantified the comparative advantage. Where partners were not exempted from value added tax, the country operations did not quantify the financial impact either.

134. The project description of the partnership agreement provides detailed information about the project to be implemented and its link with the operations plan. The description includes impact indicators with baselines, targets and associated outputs with performance indicators and performance targets to measure the progress and impact of the project. The Board reviewed a sample of partnership agreements and found weaknesses in the definition of indicators and outputs. For example, a baseline and/or target was not always defined. In one agreement, the outputs were not adapted although the budget of the project had increased.

135. Global fleet management was intended to operate as a fund, with the result that the budget is not restricted to one budget cycle but that resources can be carried forward. The Board found that, currently, global fleet management is not operating as a fund. The unit rather acts as a programme and depends on a cumbersome budget allocation process governed by the Programme Budget Service and/or the budget committee. Therefore, the unit operates in an environment of uncertain liquidity. The Board found that the current revenue allocation process is not compliant with the relevant internal instruction and with the global fleet central funding element according to which the global fleet management unit had been established. Between 2016 and 2019, revenues of almost $9 million from the rent and sale of light vehicles were not allocated to the global fleet management budget. That negatively affected the efficiency of the unit's operation. The Board holds that the budget process requires simplification and alignment with the instruction as well as with the central funding element for the global fleet.

136. The Board found that, in more than 50 per cent of cases, operations order new light vehicles on short notice and without advance planning. A reliable needs assessment does not exist. This results in an uneconomically high number of stored

light vehicles at the vehicle hub in Thailand. As at March 2020, available stock amounted to 688 vehicles, with tied-up funds of around $15 million. The Board holds that UNHCR should exhaust all possibilities to improve the needs assessment for light vehicles and establish a meaningful overall procurement plan.

137. UNHCR engages individual contractors under agreements with UNOPS. UNHCR spent $62.4 million in 2018 and $87.8 million in 2019 for the provision of services. The Board noted that UNHCR did not record all the necessary data in its enterprise resource planning system for reporting on and monitoring those agreements. As a result, UNHCR did not have reliable data on those agreements. The inconsistency of the data leads to the risk that the current method of data processing is cumbersome and prone to errors, and that it requires a high number of manual interventions.

138. UNHCR used purchase orders to commit budget funds to the contractual assignments with UNOPS. The Board observed that UNHCR did not always liquidate the remaining balance of the purchase orders after settling UNOPS invoices. The appropriate obligation of funds is deemed necessary. The Board considers it important that UNHCR regularly monitor the committed balance of purchase orders to ensure compliance with accurate expense recognition.

139. According to UNHCR, 3,063 contractor agreements were concluded in 2019. The Board noted that the UNHCR framework did not define sufficient preconditions for using the services of a contractor under UNOPS agreements. The engagement of contractors through UNOPS should be based on a clear vision of the quality and quantity required regarding the external service. UNHCR should define more clearly under what circumstances the engagement of such contractors is considered to be reasonable and necessary for its operations.

140. In 2015, UNHCR began the roll-out of version 4 of the Profile Global Registration System (proGres v4) to the country operations. Each country office is responsible for maintaining and updating local ICT systems, including the previous registration system, and for making backups of its own data. The Board noted that UNHCR had no overview of the decommissioning processes and of where data had been completely deleted from the previous registration system and where those data were still being used.

141. When elaborating new systems, projects or policies that may negatively affect the protection of the personal data of persons of concern, UNHCR needs to carry out a data protection impact assessment. Although proGres v4 had already been deployed in 2015, a data protection impact assessment had never been conducted. The Board holds that data protection impact assessments help to detect data protection difficulties at an early stage and to design and build safeguards. The data protection policy does not stipulate which function or organizational entity is the data controller whenever data protection impact assessments have to be carried out at the global or the regional level.

142. The Board has made several recommendations based on its audit, which are contained in the main body of the report. The main recommendations are that UNHCR:

(a) Obtain and maintain accurate data on the service and health-care plan participation history of its staff members, utilizing enhanced data fields;

(b) Implement additional measures to ensure the functioning of key controls in the inventory process;

(c) Explore the option of an electronic delegation of authority process that is an integral part of the enterprise resource planning system and encompasses all modules of the system;

(d) Make the distinction between the first and the second line of defence clearer in the new framework of roles, accountabilities and authorities;

(e) Clearly distinguish between the roles and responsibilities of the regional bureaux and the divisions as the second line of defence;

(f) Define the roles and responsibilities of new functions in the regional bureaux in a clear and transparent manner;

(g) Measure, track and evaluate the intended results and the costs of decentralization and regionalization;

(h) Review the templates for entrusting procurement to implementing partners in order to ensure a meaningful analysis, a calculation of costs and a justified decision. This should include a calculation of costs whenever a partner is not exempted from value added tax;

(i) Analyse the weaknesses in the selection/definition of impact indicators, outputs and performance indicators and explore options for better supporting country operations in preparing partnership agreements;

(j) Simplify the budget process for global fleet management and comply with the relevant internal instruction and the global fleet central funding element, according to which rental and sales revenues generated by the global fleet should be made available to the self-sustained global fleet management fund;

(k) Take measures to establish a meaningful overall procurement plan for light vehicles based on each operation's needs assessment and disposal plan;

(l) Establish compliance controls to ensure that its staff enters reliable data into the enterprise resource planning system to report on and monitor UNOPS agreements and to prevent any inconsistency of data;

(m) Take measures to ensure regular monitoring of and follow-up to the budget committed in the purchase orders, in particular to release the remaining balances of the purchase orders once the UNOPS invoices have been settled;

(n) Define more clearly under what circumstances the use of individual contractors under UNOPS agreements is considered to be reasonable and necessary for its operations;

(o) Continue to build on the provisional guidance on decommissioning the previous registration system and establish a process of confirming the decommissioning to headquarters so that headquarters can monitor the decommissioning process;

(p) Carry out a data protection impact assessment at an early stage to ensure that the results of that assessment can be taken into account when planning and designing new ICT systems and enhancing major features of prevailing ICT systems, and to ensure systems interoperability for the processing of personal data;

(q) Designate data controllers at the global and regional levels in the data protection policy.

United Nations Joint Staff Pension Fund

143. The Board evaluated the Committee of Sponsoring Organizations of the Treadway Commission internal control integrated framework components related to

information and communications and monitoring and supervision and how these components are present in the Fund secretariat offices in New York and Geneva. The Board noted that both offices carry out the same operations and procedures, related to the programme of work (including the Operations, Client Services and Outreach Section and Financial Services). However, the number of personnel that must carry out these procedures in the Geneva office is fewer compared with the number of personnel in the secretariat office in New York, although both offices manage and provide services to approximately the same number of beneficiaries.

144. In addition, the Board observed that staff members in the Geneva office performed tasks without specific guidelines. Furthermore, for the formulation of the Fund's risk control matrix, the Geneva office risks were not correctly identified. Also, the Board noted that the Geneva office had its own performance indicators, which were unknown to the secretariat office in New York.

145. The Board noted that when the Pension Entitlements Section processes a benefit, whether a core document is deemed invalid or additional documentation is required, the process is suspended and, the benchmark to measure the service provided (the Section is expected to process 75 per cent of separations within 15 business days) stops. Once the requested documentation is received, the case is resumed; however, a new period of 15 business days is assigned to the process. Without a proper process for following up on missing or invalid documents, the practice of constantly postponing benchmarks for additional documentation requirements may hamper the possibility for beneficiaries, and for the Fund, to determine, with an acceptable certainty, the actual time for completion of the processing of a benefit.

146. The Board identified that the current monitoring does not allow for the tracking and assessment of the impact of all staff members' activities in connection with their personal securities transactions that could result in conflict between personal interests (whether direct or indirect) and the interests of the Fund. The Board additionally noticed the absence of a formal document, except for the organizational chart and the delegation of authority, that clearly specifies which staff members are directly responsible for investment decisions and management. There is no control that allows for the registration of the trading transactions of staff members with the purpose of checking compliance with the internal policy provisions on the matter. Furthermore, there is no system that automatically tracks the personal securities transactions of all the staff members in order to avoid conflict with the activities of the Fund.

147. The Board identified that employees of the Fund secretariat who did not belong to the Office of Investment Management might be involved, in different ways, in investment operations of the Office; however, currently, the personal securities policy and procedures are applicable only to the employees of the Office and not to those who belong to the Fund secretariat or any other employee who may be involved in transactions of the Office.

148. The Board noticed that the Office of Investment Management had posted in the Oracle E-Business Suite system as a debit entry instead of a credit entry an adjustment regarding the fair value of the investments as at 31 December 2019 and had also provided inaccurate data about four different reports referring to investments, in which the Office alluded to a version control issue and an Excel formula issue. As a result, the Office had to reprocess entire files, reverse three movements of the journal entries and record new manual adjustment entries, subsequently reissuing the financial statements in order to update several notes to the financial statements.

149. The Board observed that the Office of Investment Management did not have a specific policy and a formal procedure on external advisers to help to identify the nature of the various contracted services and regulate the confidentiality of the information handled by external advisers, identify possible conflicts of interest and

facilitate follow-up regarding the verification of the provision of the contracted services.

150. The Board recommends that the Fund:

(a) Clearly establish the management accountability structure of the Geneva office within the pension administration structure, which should, in turn, enable timely and complete information flow between the Geneva office's finance and client services and the Pension Administration in New York;

(b) Pause the period of 15 business days in the Integrated Pension Administration System only in cases of missing or invalid documents and resume the period once the necessary documentation has been received;

(c) Issue to all staff members a formal document that establishes which officials should answer the questions stated in the trade order pre-clearance form;

(d) Review, clarify and adjust the Office of Investment Management personal securities trading policy in matters related to excessive personal trading and the minimum holding period of 60 days of any investment in order to enable a better understanding of the policy;

(e) Develop and implement a system that allows for the tracking of the personal trading accounts of all the Office of Investment Management staff members and also of those employees of the Fund who have a clear reporting line to the Office staff for preventing potential conflicts of interest with the activities of the Fund;

(f) Monitor and control the possible conflicts of interest of the employees and adopt the measures necessary to address cases in which conflicts are detected;

(g) Redefine the applicability of the personal securities policies and procedures, with the purpose of applying them to any staff member of the Fund involved in the work of the Office of Investment Management, including the personnel of the Fund secretariat;

(h) Assess the design and operation of the current controls, and develop a method to detect inaccuracies related to the financial statements closing process in order to ensure that the controls operate effectively, as designed;

(i) Develop a special policy for external advisers that addresses, among other matters, conflicts of interest, the confidentiality of information and the performance review and monitoring of contracted service providers;

(j) Review the current guidelines on conflicts of interest and design a procedure that allows for the Office of Investment Management staff to be informed in a timely manner about the current list of external advisers, so that the staff can disclose potential conflicts between an employee and external adviser.

United Nations Office on Drugs and Crime

151. After a review of samples of cases related to official travel and purchase orders, the Board noted that several travel and purchase orders approvals had been authorized by staff who had either not been conferred a delegation of authority or had not accepted the delegation conferred, as evidenced by the delegation in question. Furthermore, it was found that, with regard to UNODC headquarters, the Regional Office for South-East Asia and the Pacific and the Regional Office for Eastern Africa, the information present in Umoja on staff roles was not consistent with that on the delegations of authority for the staff role holders. Consequently, some staff were able to approve travel or purchase orders in Umoja, even though they did not have the necessary delegation of authority to do so.

152. The Board reviewed the treatment of the UNODC fixed asset derecognition exercise and write-off process and detected that a certain number of fixed assets had been transferred to recipients without being written-off from the system, while others had been transferred to beneficiaries without approval from the Local Property Survey Board/Headquarters Property Survey Board.

153. After the revision of 30 documents related to goods and services at UNODC headquarters and 30 service entry sheets at the Regional Office for South-East Asia and the Pacific, it was noted that neither UNODC headquarters nor the Regional Office had the necessary information available in Umoja as proper evidence regarding the exact moment that the services were provided.

154. During the audit, several meetings were held with the Accounts Section and the Budget Section to obtain information regarding the procedure followed at UNODC headquarters for full cost recovery calculations. It was observed that there was no formal guide describing the accounting steps and procedures that UNODC headquarters has to follow for full cost recovery calculations.

155. In the light of the findings mentioned above, the main recommendations of the Board are that UNODC:

(a) Review the entire entity's delegations of authority, including at field offices, in order to ensure that all respective delegations have been granted through the delegation of authority portal, as required under the new framework for delegation of authority;

(b) Conduct a complete overhaul of the existing delegation of authority-related roles in Umoja and correct those that are not consistent with the delegation provided (see also chap. IV above, concerning the United Nations reform agenda);

(c) Make the necessary efforts to ensure that all the entity's fixed assets that must be derecognized every financial year are removed from the financial statements in a timely manner and ensure that no assets are transferred to beneficiaries before approval from the Local Property Survey Board/Headquarters Property Survey Board, as appropriate;

(d) Improve the internal controls in the service receipt process, to ensure that proper evidence is provided regarding the receipt of every service;

(e) Establish a standard procedure that sets a unique criterion for recognizing expenses in Umoja through the service entry sheets;

(f) Prepare an internal accounting guide in order to document the accounting steps and procedures for the recognition of the full cost recovery workflow.

United Nations University

156. The Board identified a letter from the Government of Portugal expressing the intention of maintaining its support to the UNU Operating Unit on Policy-Driven Electronic Governance (UNU-EGOV) in Portugal. Neither the acceptance letter by UNU nor the transfer of money to the UNU Endowment Fund from the Government of Portugal were formalized.

157. The Board identified a number of asset movements that did not correspond to additions or transfers for the 2019 period; those assets were missing because they had been incorrectly identified as part of another institute or simply omitted.

158. In addition, the Board identified an internally developed intangible software that changed in value from one period to another. Moreover, it was not possible to obtain evidence of the adjustments carried out by personnel, as described in the standard operating procedure, to maintain the assets. Taking into account that the main assets

of UNU are information and communications technology, the maintenance and control over those assets are highly important, given the high inherent risk of impairment or loss.

159. It was verified that the information that supports the preproposal, planning and evaluation of the project was incomplete; in addition, the absence of a formal document that approves the project was noted.

160. In addition, it was not possible to verify the supporting information related to changes to a project, the analysis of deviations from the budget, the regular analysis of progress, the project extension and the assessment of the projects' impact.

161. It was not possible to identify the evaluation that should be performed at the initial stage. In several projects, the workplan was not registered, and those that were registered did not meet the standard criteria. The Board identified a project that was approved and then cancelled; however, there was no documented reason for it. In addition, for several projects, no information was stored in the web-based system, Pelikan.

162. Lastly, the Board identified projects that remained ongoing in the system even though they had expired or for which the estimated total cost had not been determined. A large quantity of projects did not have the project appraisal that was approved by the Director, or the projects had been recorded as closed but remained ongoing.

163. On the basis of the audit findings, the Board recommends that UNU:

(a) Take proactive measures to expedite the signing of the agreement with the Government of Portugal, so as to ensure resources for UNU-EGOV operations;

(b) Update the standard operating procedure for property, plant and equipment in order to reflect current responsibilities and controls over UNU property, plant and equipment and intangible assets;

(c) Analyse the cost-benefit of carrying out the monthly verification between the Atlas report and the physical location of the asset, as described in the standard operating procedure for property, plant and equipment;

(d) Review its property, plant and equipment with a periodicity of less than a year;

(e) Establish a minimum requirement in the workplan developed by the project managers in order to provide the necessary information for the achievement of the project;

(f) Enhance Pelikan's repository functions in order to provide full information on the contracts, donor reports and outputs of the project;

(g) Adapt the current organizational structure of the UNU Institute for Integrated Management of Material Fluxes and of Resources (UNU-FLORES) with the objective of defining an official in charge of project management and informing the Director about the fulfilment and status of projects in a timely manner, in order to support the decision-making process of the Director in the cases that merit it;

(h) Adapt the current organizational structure of the office with the objective of defining an official in charge to give continuity and informatics support to Pelikan and to the UNU-FLORES website.

United Nations Office for Project Services

164. In line with the zero net revenue target, the budgeted reserves (net surplus) of UNOPS were frozen at their existing values for 2018 and 2019. The actual reserves however, increased considerably in 2018 and 2019, with a substantial net surplus in

both years. The reserves increased from $192.9 million in 2018 to $252 million in 2019.

165. UNOPS authorized investments ($8.8 million in 2018, $30 million in 2019 and $20 million in February 2020) under the Sustainable Infrastructure Impact Investments initiative without any formal governance structure or framework. It formalized and issued the following three documents related to the initiative: the management and process framework, the office partnership policy and the post-investment due diligence procedures. More specific guidance may be required to provide the objectivity necessary for the application of the framework.

166. UNOPS concluded a memorandum of understanding with a partner (private entity) on a direct selection basis under its Sustainable Infrastructure Impact Investments initiative, to formalize collaboration on designing and developing projects in sustainable social housing, renewable energy and health infrastructure. UNOPS stated that competitive solicitation was not considered because the partnership was outside the scope of the procurement framework.

167. Assets under the UNOPS provident fund investment portfolio, which was established in 2014, had performed below the benchmark, both in average terms from 2014 to 2019 and for the year ended December 2019. The statement of investment principles, on the basis of which informed questions on prudent fund management could be asked of investment managers, was not finalized until January 2020.

168. UNOPS provided for performance security in 72 per cent of its works contracts and only 9 per cent of its non-works contracts. It did not include a clause for performance security in 20 of the 26 non-works contracts, for which the contract value was more than $1 million. Furthermore, it did not include a liquidated damages provision in 81.55 per cent of non-works contracts. The inclusion of performance security and liquidated damages provisions in contracts was advised in UNOPS financial regulations and could act as a risk-mitigating tool for ensuring the quality and timely performance of contracts.

169. Considerable delays in the operational and financial closure of projects were noted, with 200 projects pending operational closure, including 5 pending since 2017 and 49 since 2018. Of the 500 operationally closed projects, 43 (8.60 per cent) still needed to be financially closed even after the mandated period of 18 months.

170. The Bangkok Shared Service Centre proposed seven new lines of services for 2020 and subsequent periods, but a number of them remained at the pilot stage, in planning and discussion. The use of the Centre by UNOPS partners has largely been restricted to the administration of individual contractors, and growth in transactions has been small in percentage terms.

171. The governance mechanism in UNOPS to identify services that could be considered for transfer to the Centre from within UNOPS and the service lines that could provide shared services to UNOPS business partners needed to be strengthened. To date, deliberations of the Centre's steering panel have not led to the development of proposals for the transfer of service lines to the Centre.

172. Shared transactional services are largely dependent on effective ICT applications. The need for a road map of integrated shared services to be provided by the Centre was recognized in the strategic plan, as well as in the biennial budget, and the role of ICT in offering such services was also recognized. The Board noted the need for a documented information technology strategy aligned with the road map for the augmentation of shared services by the Centre.

173. The Board recommends that UNOPS:

(a) Review its required minimum operational reserves and adhere to its policy of full cost recovery, so that the risks arising during the course of its operations are effectively met and surpluses are not accumulated over and above the realistically assessed operational reserves;

(b) Issue specific instructions following up on the issue of the framework, guidelines, procedures and policy to strengthen and formalize the processing and documentation of projects funded through the growth and innovation reserve;

(c) Review and document the performance of the investment manager at intervals, as formalized in the statement of investment principles of January 2020;

(d) Consider the performance of the investment manager against the objectives of statement of investment principles, while considering a further extension of the agreement with the investment manager;

(e) Assess its approach to the inclusion of a provision for performance security, in particular for non-works contracts with a high value, large volume or complexity, for ensuring seriousness on the part of suppliers and the performance of the contract;

(f) Assess its approach to the inclusion of the provision of liquidated damages, in particular for high-value contracts, in order to mitigate the risk of potential late performance leading to financial loss to UNOPS and its partners;

(g) Ensure compliance with its financial regulations and rules for the operational closure of projects and put in place appropriate checks to promptly change the status of projects as soon as their activities have ceased;

(h) Pursue the transfer of new lines of business to the Bangkok Shared Service Centre and enable scalable operations in line with the objectives of setting up of the Centre and the UNOPS strategic plan for 2018–2021;

(i) Streamline the functioning of the Bangkok Shared Service Centre steering panel through systematic documentation of its recommendations and their follow-up so that the panel contributes to the introduction of new service lines, which could then be followed up on by the Centre or the Shared Service Centre Group;

(j) Identify and prioritize ICT interventions that are essential for the work of the Bangkok Shared Service Centre, in consultation with relevant stakeholders, for the fulfilment of the strategic goal of providing globally shared transactional services with economy, efficiency, effectiveness and scalability.

United Nations Relief and Works Agency for Palestine Refugees in the Near East

174. The Board found that staff who are not authorized by any instructions or delegation of authority were able to update the United Nations exchange rates in the REACH system.

175. The Board performed a review of the personnel action approval process from January to August 2019, where a deficiency in the segregation of duties was identified, mainly because just eight users were responsible for changing, reviewing and approving the entire action process for 779 cases.

176. During the Board’s review, it was noted that, in 2019, purchase orders were issued under long-term agreement No. 4116000003, which was not in force at the time of issuing the purchase order. As an example, the Board identified purchase order No. 6019000266, dated 28 March 2019. None of the purchase orders in 2019 associated with the above-mentioned agreement were valid.

177. During the review of the procurement process, the Board requested the Agency to provide a sample of purchase orders issued during 2019 for analysis. As an outcome of that review, it was observed that, in a number of cases, purchase orders were issued after the invoices and goods or services had been received or rendered.

178. The Board reviewed the controls over the process to assign user accounts to staff for the refugee registration system and found user accounts for personnel who no longer belonged to the Agency.

179. The Board conducted a physical review at the central pharmacy administrated by the Jordan field office and found discrepancies between the physical stock count and the information available in the REACH system. It also noticed that there was no control over supply batches, since they were distributed randomly.

180. The Board reviewed the active directory and the REACH system in order to test the validity and controls of user accounts and found that there were active user accounts belonging to retired personnel. The situation related to a lack of control, especially in the account removal process. The Board noted a risk of allowing unauthorized users to gain access to internal systems or that a user, acting as a third-party account, had powers over a complete operation, denoting a problem of segregation of duties.

181. The Board has made several recommendations on the basis of its audit that are contained in the body of the report. The main recommendations are that UNRWA:

(a) Ensure that only delegated personnel are allowed to modify exchange rates, by separating personnel authorized to update the system from those with view-only access;

(b) Review all users with the personnel action approval process role and adjust them accordingly so there is a proper segregation of duties;

(c) Ensure strict compliance with long-term agreements and verify that all such agreements are in effect at the time of issuing a purchase order;

(d) Ensure that purchase authorizations are made before the invoices are issued by suppliers;

(e) Improve its control process of the physical stock count at the warehouse of the central pharmacy in Amman and in the REACH system so that the information is accurately reflected in the inventory;

(f) Keep proper control over supplies when receiving the goods, by separating and grouping them into batches and ensuring that products can easily be tracked in the REACH system;

(g) Strengthen control over access credentials by cleaning the systems, strengthening communication between the Human Resources Department and the Information Management Department and performing periodic reviews of the lists of users present in the systems;

(h) Associate the personnel accounts in the REACH system with the personnel registered by the Human Resources Department.

United Nations Entity for Gender Equality and the Empowerment of Women

182. The Board performed an analysis of the Entity’s various office categories and found that there was no formal definition or up-to-date registry for each type of office.

183. The Board performed an analysis of six projects on the basis of a comparison of the date of journal entry of advance with the date of journal entry liquidation. The

Board noted exceptions in 42 cases of funding authorization and certificate of expenditure forms, submitted and recorded beyond the required reporting cycle.

184. The Board observed that, for one project, the accounts payable journal entries prepared to record the project expenditure had been posted in the Atlas system between one and two days before the Project Manager reviewed the funding authorization and certificate of expenditure forms, which were also not duly signed; and for two other projects, there were marked delays in the preparation of accounts payable journal entries, which were posted after the maximum of 20 days allowed.

185. On the basis of its findings, the Board recommends that UN-Women formalize the categorization of its offices, establishing the definition of the functional set-up of each presence type, including minimum functions, positions and resources for both resident and non-resident modalities, as well as the various types of services that they provide, and maintain an accurate and updated registry of all offices.

186. The Board also recommends that the UN-Women multi-country office in Fiji:

(a) Monitor the implementing partners or responsible parties closely so that funding authorization and certificate of expenditure forms are received on time, project expenditures are recorded appropriately and the role of monitoring their activities is fulfilled;

(b) Ensure the proper recording of project expenditures through the timely preparation and posting of the corresponding accounts payable journal vouchers, in accordance with the provisions of the UN-Women policy on cash advances and other cash transfers to partners in a reasonable and timely manner after the Project Manager has approved the funding authorization and certificate of expenditure forms;

(c) Ensure that duly authorized officials first sign the reviewed project expenditures and the requests for advances to partners, which leads to the approval of the funding authorization and certificate of expenditure forms, and record the expenditure appropriately in the accounting system.

International Residual Mechanism for Criminal Tribunals

187. Issues were detected, such as capitalized assets for which no functional location or accountable user had been assigned; non-capitalized assets that lacked a functional location and/or an accountable user; and assets that had an accountable user who no longer worked for the Mechanism.

188. A sample of 55 items were selected to perform a physical verification exercise, in which the Board was unable to verify the existence of 3 untraceable assets, another 8 that were found to be in poor operating condition (4 of them having "not in use" status and another 4 having "good and in use" status) and 9 that did not have an identifying number tag.

189. A sample of 30 purchase orders were selected for review, from which there were Purchase orders that were approved in Umoja from 5 to 100 days after the invoice date.

190. For an analysed sample of 17 cases, 14 cases of annual leave were found not to have been registered in Umoja and there was no evidence of their dates of request or approval, nor of who approved the leave. Meanwhile, for 9 of the 22 cases reviewed for home leave, no authorization was registered in Umoja. Likewise, inconsistencies among the reports in Umoja were detected, such as lack of records, erroneous records and inconsistencies between modules.

191. From the review of 13 requests for overtime that exceeded 40 hours per month, the Board observed that, in 10 of them, the required procedures were not fulfilled. In two cases, the justifications required were not provided for the overtime in excess of

40 hours per month, in two others, the overtime request form was not provided and in six the overtime request form was issued after the overtime had been completed.

192. A sample of 30 travel requests for 2019 was reviewed. It was observed that, in 19 cases, the request and approval of the absence required for the travel days were not registered in Umoja, contrary to the established in the correspondent normative.

193. Through the analysis of the travel database in Umoja, the Board detected that 420 cases (51 per cent) had been submitted fewer than 21 days before the commencement of travel, of which 74 per cent had been approved fewer than 16 days in advance. Of those cases, 203 (48.33 per cent) were justified under “Other”, which does not specify the reason for the delay in the request. In addition, a sample of 30 travel requests for 2019 were reviewed, with the Board observing that, in 17 cases, the travel automation system document had been issued with less anticipation than that required pursuant to the Umoja travel guide. Lastly, regarding the purchase of tickets, the Mechanism did not have documentary evidence of the selection of ticket purchases, thereby making it impossible to verify whether the purchases made were either the best option or the most economical.

194. In the light of the findings mentioned above, the main recommendations from the Board are that the Mechanism:

(a) Update the information on capitalized assets in Umoja, including the assignment of their respective Mechanism’s users and proper functional location, in the real estate management module in Umoja;

(b) Identify all its assets with their respective tag number and proper description, keeping this information updated in Umoja;

(c) Strengthen the review and supervision of the entire process of issuing purchase orders, in order to guarantee their timely issuance;

(d) Examine and evaluate the purchase order reports used by the Mechanism, notifying iNeed of the differences detected, aimed at ensuring that the information is appropriately registered in Umoja;

(e) Improve and strengthen the control mechanisms concerning annual and home leaves, for both the staff members and their supervisors, in order to improve compliance with the correspondent regulation;

(f) Improve and strengthen the control mechanisms concerning the request and approval procedures for overtime, in order to comply with the correspondent regulation;

(g) Take action leading to registering in Umoja all the absences corresponding to the travel days;

(h) Take action to improve its final travel arrangements, aimed at carrying them out with the anticipation required pursuant to information circular ST/IC/2019/16 and providing the suitable justifications in the case of exceptions;

(i) Have supporting documentation regarding the selection of the most economical offer, in order to ensure that this requirement is met at the time of purchasing the tickets.

B. Implementation of outstanding recommendations

195. In every audit report, the Board analyses various issues during the audit and makes recommendations. The Advisory Committee on Administrative and Budgetary Questions and the Fifth Committee have expressed concern over the slow rate of implementation of the Board’s recommendations and have requested the Secretary-

General and the executive heads of the funds and programmes of the United Nations to ensure full implementation of the recommendations. The Board reviewed the status of old recommendations (see table 8) and noted that the overall rate of implementation of the recommendations of the previous year had increased slightly from 39 per cent in 2018 to 41 per cent in 2019.

Table 8
Status of previous audit recommendations as at 31 December 2019

Entity	*Number of previous audit recommendations as at end of financial period*		*Fully implemented during the period*		*Under implementation during the period*		*Not implemented during the period*		*Overtaken by events during the period*	
	2019	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*
United Nations (Vol. I)	224	167	49	13	153	149	13	4	9	1
United Nations peacekeeping operations	103	110	24	56	59	49	14	2	6	3
ITC	17	17	4	8	13	9	–	–	–	–
UNCDF	8	9	8	8	–	1	–	–	–	–
UNDP	51	49	29	17	20	23	–	3	2	6
UNEP	35	17	11	3	21	13	3	–	–	1
UNFPA[a]	27	26	22	13	5	12	–	–	–	1
UN-Habitat	38	20	3	4	34	14	–	2	1	–
UNICEF	80	66	33	34	40	32	1	–	6	–
UNITAR	9	10	7	8	2	2	–	–	–	–
UNHCR	96	67	48	35	43	32	2	–	3	–
UNJSPF[a]	45	38	33	12	12	22	–	–	–	4
UNODC	50	65	22	27	27	38	–	–	1	–
UNOPS	48	51	32	31	15	19	1	–	–	1
UNRWA	46	54	27	32	17	20	–	2	2	–
UNU	32	55	17	22	15	29	–	–	–	4
UN-Women	22	16	15	6	6	10	–	–	1	–
IRMCT	19	18	7	7	7	9	2	1	3	1
Total[a]	**950**	**855**	**391**	**336**	**489**	**483**	**36**	**14**	**34**	**22**
Percentage[a]			**41**	**39**	**51**	**56**	**4**	**2**	**4**	**3**

Source: Audit reports of the Board.
[a] Differences between the figures reported in the concise summary for 2018 and the same figures for 2018 in the present report are due to a revaluation of recommendations completed in 2018.

196. The decline in the implementation rate for some entities could be the result of several factors, one of which could be the length of the compliance deadline imposed by the entity itself, which may cover more than one audit period, allowing the entity to make gradual progress. Therefore, for some entities, the low level of implementation could be due mainly to the existence of recommendations with long periods of execution.

197. A second factor is that the recommendations may be composed of several elements that collectively address one finding. Therefore, there are cases where the entity displays concrete improvements for most of the elements, but not all of them. In such cases, the overall status of the recommendation is listed as being under implementation.

198. Table 9 shows the percentage of fully implemented recommendations by entity for 2018 and 2019, based on the figures provided by the entities and presented in table 8. For nine entities,[11] the implementation rate was 50 per cent or less. UN-Habitat had a very low implementation rate, at just below 8 per cent. The Board noted significant decreases in implementation rates for United Nations peacekeeping operations (23 per cent in 2019, as compared with 51 per cent in 2018); ITC (24 per cent in 2019, as compared with 47 per cent in 2018); UN-Habitat (8 per cent in 2019, as compared with 20 per cent in 2018) and UNICEF (41 per cent in 2019, as compared with 52 per cent in 2018).

Table 9
Implementation rate of audit recommendations by entity, as at 31 December 2019

	Number of audit recommendations as at end of financial period		*Audit recommendations fully implemented during the period*			
			2019		*2018*	
Entity	*2019*	*2018*	*(number)*	*(percentage)*	*(number)*	*(percentage)*
United Nations (Vol. I)	224	167	49	21.88	13	7.78
United Nations peacekeeping operations	103	110	24	23.30	56	50.91
ITC	17	17	4	23.53	8	47.06
UNCDF	8	9	8	100.00	8	88.89
UNDP	51	49	29	57.00	17	34.69
UNEP	35	17	11	31.43	3	17.65
UNFPA	27	26	22	81.48	13[a]	50.00
UN-Habitat	38	20	3	7.89	4	20.00
UNICEF	80	66	33	41.25	34	51.52
UNITAR	9	10	7	77.78	8	80.00
UNHCR	96	67	48	50.00	35	52.24
UNJSPF	45	38	33	73.33	12[b]	31.58
UNODC	50	65	22	44.00	27	41.54
UNOPS	48	51	32	66.67	31	60.78
UNRWA	46	54	27	58.70	32	59.26
UNU	32	55	17	53.13	22	40.00
UN-Women	22	16	15	68.18	6	37.50
IRMCT	19	18	7	36.84	7	38.89
Total number	**950**	**855**	**391**		**336**	
Overall percentage				**41**		**39**

Source: Audit reports of the Board.
[a] Differences between the figures reported in the concise summary for 2018 and the same figures for 2018 in the present report are due to a revaluation of recommendations completed in 2018. In the concise summary for 2018, the reported figure was 24.
[b] See footnote *a*; in the concise summary for 2018, the reported figure was 13.

[11] United Nations (Vol. I), United Nations peacekeeping operations, ITC, UNEP, UN-Habitat, UNICEF, UNHCR, UNODC and IRMCT.

IV. Status of the Secretary-General's reform agenda

199. The Secretary-General has made proposals to reform the United Nations since the beginning of his term in January 2017. The reform entails improvements in three reform pillars:

- *Management*. A new management paradigm for the Secretariat and a United Nations that empowers managers and staff, simplifies processes, increases transparency and improves on the delivery of mandates.
- *Peace and security*. The overarching goals of the reform are to prioritize prevention and sustaining peace; enhance the effectiveness and coherence of peacekeeping operations and special political missions; and move towards a single, integrated peace and security pillar. One central element of the reform was the establishment of a Department of Political and Peacebuilding Affairs and a Department of Peace Operations.
- *Development*. The 2030 Agenda for Sustainable Development will require bold changes to the United Nations development system for the emergence of a new generation of country teams, centred on a strategic United Nations Development Assistance Framework and led by an impartial, independent and empowered resident coordinator.

200. Recognizing the risks inherent to such an ambitious reform agenda, the Secretary-General established a reform coordination structure under the joint leadership of the Deputy Secretary-General and the Chef de Cabinet to ensure a unified and cohesive change management programme across all three pillars of the reform, with dedicated teams to service each individual stream. The Secretary-General also appointed a Special Adviser on Reform, tasked with ensuring the overall coordination of the three reform streams (sustainable development, peace and security and management).

201. In the present report, the Board comments on its audit of the status of the Secretary-General's reform agenda in relation to the United Nations Secretariat, United Nations peacekeeping operations[12] and UNDP.

A. Management and the United Nations Secretariat

202. The administrative issuance on the organizational structure of the Secretariat of the United Nations, following the implementation of the management reforms, was not yet promulgated. The management reforms proposal in the report of the Secretary-General contained a high-level division of work between the Department of Management Strategy, Policy and Compliance and the Department of Operational Support, and a clear, codified division of roles and responsibilities at the micro and process levels was required, especially as there were areas where there was a lack of clarity and/or possible overlap in the functioning of the two departments. A procedure for ensuring the timely intake of issues by the Management Client Board had not been developed, documented or circulated to Board members by the Board secretariat and the dates of Board meetings were not circulated well in advance.

[12] The concise summary does not include the Board's findings and recommendations on United Nations peacekeeping operations, except for those related to the Secretary-General's reforms, because they have already been discussed in the Board's audit report on United Nations peacekeeping operations (A/75/5 (Vol. II)). The peacekeeping operations have an annual financial cycle ending 30 June; therefore, the content related to those operations are as at that date unless otherwise indicated.

203. As part of the management reform, a new framework for delegation of authority was outlined in a bulletin of the Secretary-General (ST/SGB/2019/2). The framework did not qualify the entities that fell under the framework. Moreover, the delegation instruments did not specify the resources for which authority was delegated. There were a large number of entities that were assigned to receive support from service providers for want of capacity. There was a need to assess the capacity of the service providers in view of a possible increase in workload following the enhanced delegation of authority.

204. The delegation of authority portal was to be used for recording formal delegations and subdelegations. Subdelegations pending acceptances remained in the system for a long time, and a lack of validation checks for entering approval amounts and recording of long validity periods for delegations in the portal was noticed. An initial set of 16 key performance indicators was brought out as part of the accountability framework for monitoring the exercise of delegated decision-making authority, which needed to be reviewed and expanded. Baseline and target definition for indicators needed improvement to enhance the utility of the monitoring framework.

205. Strengthening the implementation of results-based management was identified as an important element of the accountability framework. There were several results-based management manuals, and guidance and instructions on areas related to results-based management within the Secretariat. In addition, a comprehensive manual on results-based management was under preparation. Strengthening the self-evaluation capacity to better inform programme planning and reporting on programme performance was identified as an important step to address the gap in implementation of the accountability framework, but there were delays in the finalization of the evaluation policy. The Secretariat-wide risk register, which was to be completed by the fourth quarter of 2019 and on which further steps such as the preparation of action plans for the mitigation of risks identified would depend, was yet to be approved.

206. The main recommendations are that the Administration:

(a) Take expeditious action to amend and promulgate the Secretary-General's bulletins to specify and enhance the clarity of the roles and responsibilities of the Department of Management Strategy, Policy and Compliance and Department of Operational Support;

(b) Develop and document formal procedures for the timely intake of issues by the Management Client Board and strengthen mechanisms and channels so that the members of the Board receive input from their constituents, to make the Board an effective feedback and consultation mechanism;

(c) Define criteria for the "entities" status and clarify which entities are included in the delegation of authority framework covered in Secretary-General's bulletin ST/SGB/2019/2;

(d) Explore how to specify and document that the resources are specified for which authority is delegated and subdelegated;

(e) Undertake a comprehensive exercise to identify the enhancements for the delegation of authority portal to incorporate more checks to make it more robust, transparent, user-friendly and useful for monitoring;

(f) Review the key performance indicators by the target date to enhance the existing key performance indicators suite;

(g) Expedite the implementation of the workplan priorities for evaluation, including the finalization of the evaluation policy, the development of the self-evaluation toolkit and other related capacity-building measures to avoid further delays in the achievement of deliverables for evaluation that are dependent on these measures;

(h) Ensure adherence to the timelines for activities prescribed in the action plan for the implementation of results-based management;

(i) Take steps to prioritize the preparation of an updated risk register and risk response and treatment plans in all the entities in the Secretariat and follow a time-bound plan for embedding the three lines of defence model at all levels.

United Nations peacekeeping operations

207. One key element of internal control is the delegation, exercise and monitoring of authority. As part of the management reform, a new framework for delegation of authority was outlined in Secretary-General's bulletin ST/SGB/2019/2. In accordance with the framework, all previous delegations of authority were rescinded and new delegations were assigned. The transition period ended on 30 June 2019. The Board reviewed the concept of the new delegation of authority framework and how the delegations of authorities were being implemented and monitored.

208. The provisioning and monitoring of user roles in Umoja are also key elements of internal control. Powerful roles require a delegation of authority in accordance with Umoja guidelines. The Board found severe weaknesses in the provisioning and monitoring of Umoja roles, especially with regard to missing delegations of authorities.

209. Service centres and missions used separate delegation of authority matrices, in addition to the portal, to limit and specify delegations. In addition, portal administrators were appointed to delegate authority on behalf of the actual delegating staff. Although the portal had been enhanced to track that information, the Board found that, of 54 delegations of authority assigned by a portal administrator to staff of the Regional Service Centre in Entebbe, Uganda, a service centre within the Department of Operational Support, the portal showed the information for 1 case only.

210. The Board holds that the definition of an entity and the scope over which delegated authority can be executed (e.g. by Umoja categories such as "budget fascicle" or "funds centre") is unclear. The Board further holds that service centres received incomplete delegations of authority. For individual staff, the scope of the delegated authority and whether that authority pertained to self-administration or to the provision of services was not transparent in the portal. Furthermore, the Board found that Umoja guidance explicitly requiring delegations of authority for certain roles was not being followed. Given the potential establishment of additional service centres, the Board considers that these issues need to be reviewed.

211. The Board found multiple instances in which required authority had not been delegated. In addition, there were many conflicting roles or roles with an unnecessarily broad scope. A number of staff who were inactive owing to separation or special leave had also retained roles in Umoja.

212. In an accountability framework for monitoring the exercise of delegated decision-making authority, indicators are defined in the areas of human resources, finance, procurement, travel and property management. The Board noted that the indicators presented were not comprehensive.

213. The Board reviewed how recruitment decisions were recorded by the Department of Operational Support, the Department of Peace Operations and the Department of Management Strategy, Policy and Compliance. The recruitment procedure was documented mainly in Inspira. The Board found that the Departments did not follow a uniform approach.

214. The main recommendations are that the Administration:

(a) Ensure that the portal accurately reflects delegations of authority and that service centre staff are provided with the delegations of authority necessary for servicing clients;

(b) In collaboration with Headquarters and missions, conduct a comprehensive review of roles assigned in Umoja and ensure that Headquarters departments support entities in establishing a control mechanism for Umoja roles;

(c) Define additional indicators as soon as possible, to allow for comprehensive monitoring of the exercise of the delegated authority. Furthermore, the Board considers it important that the exercise of delegated authority be recorded in a way that can be analysed and monitored;

(d) Analyse which data is necessary for comprehensive monitoring of the exercise of delegated authority, take stock of how those aspects are currently recorded and identify any necessary changes.

B. Peace and security

United Nations peacekeeping operations

215. In his report (A/72/772), the Secretary General stated that the reform of the peace and security pillar had four main goals. The first was to prioritize prevention and sustaining peace. The second was to enhance the effectiveness and coherence of peacekeeping operations and special political missions. The third was to make the peace and security pillar more coherent, nimble and effective. The fourth was to align the peace and security pillar more closely with the development and human rights pillars.

216. The Board asked the Special Adviser to the Secretary-General on Reform which indicators the United Nations had established to monitor and verify that the reform process was achieving those goals, especially with regard to the second goal, to enhance the effectiveness and coherence of peacekeeping operations and special political missions.

217. The Administration indicated that, in preparation for the report of the Secretary-General on the implementation of the peace and security pillar reform, to be submitted to the General Assembly during its seventy-fifth session, the Department of Peacebuilding and Political Affairs and the Department of Peace Operations were tracking results through an online benefits management tracker for all three reform streams. The tracker went live in the first quarter of 2020.

218. The Board is of the view that the peace and security pillar reform process requires time to be fully implemented. The two new departments must define ways to achieve the goals outlined by the Secretary-General. The reply given by the Administration was not convincing. The goal to enhance the effectiveness of peacekeeping operations is of such importance that a mere benefits management tracker is insufficient. The implementation needs to be closely monitored using measurable criteria, indicators and milestones.

219. The main recommendations are that the Administration establish indicators to monitor and verify that the reform of the peace and security pillar is implemented to ensure the achievement of the goals laid out in the report of the Secretary-General, A/72/772, especially with regard to the goal of enhancing the effectiveness and coherence of peacekeeping operations and special political missions.

Department of Peacebuilding and Political Affairs

220. The capacity of the Peacebuilding Support Office was enhanced with four posts and resources from the capacities freed up by the merger of the regional divisions and the creation of a single executive office for the two new departments (the Department of Political and Peacebuilding Affairs and the Department of Peace Operations). However, even with that augmentation in its resources, there was no change in the specific output expectations of that Office.

221. The strategic plan for the Peacebuilding Fund for the period 2017–2019 projected an outlay of $500 million for over 40 countries during the period. Actual funds obtained were $355.8 million, in addition to the $116 million carried over from the previous cycle. The Fund had to reduce its initial programming target in 2019 by nearly $60 million by postponing some investments and scaling down others.

222. The main recommendations are that the Administration:

(a) Develop relevant criteria for assessing enhanced output as a result of the deployment of additional resources in the Peacebuilding Support Office, in the context of the aspirations contained in General Assembly resolution 70/262 and Security Council resolution 2282 (2016) for its revitalization;

(b) Continue efforts to augment the financial resources of the Peacebuilding Fund.

C. Development

223. On 1 January 2019, the United Nations development system started a transformation to respond to the heightened needs of the 2030 Agenda. At the centre of the reform is the emergence of a "new generation of United Nations country teams" and the provision of more cohesive, effective and accountable system-wide support to countries on their path towards the achievement of the Sustainable Development Goals.

United Nations development system and the Development Coordination Office

224. A reinvigorated resident coordinator system, led by a strengthened resident coordinator, is at the centre of the repositioned United Nations development system. It was estimated that the financial cost of the reinvigorated resident coordinator system would be $281 million every year. The short achievement of $57 million was noticed in 2019, with a significant shortfall in comparison with the estimation for the coordination levy. By December 2019, 82 per cent of resident coordinator posts had been filled and the recruitment process was at different stages for the remaining 18 per cent of posts. Vacancies for other posts in the Development Coordination Office, regional desks and the resident coordinator offices were at 16, 33 and 23 per cent, respectively.

225. The management and accountability framework is a foundational piece in the reinvigoration of the resident coordinator system. The country chapter of the framework was finalized in April 2019, and the regional and global frameworks were yet to be developed. No assessment of the performance of resident coordinators was carried out in 2019.

226. The United Nations Sustainable Development Cooperation Framework is an important instrument for planning and implementation of the United Nations development activities at country level. Common country analysis is used for developing the Cooperation Framework. The common country analysis of 45 countries had commenced and had been completed for 34 countries.

227. The principle of mutual recognition of policies and procedures was recognized as a prerequisite for common business operations. The mutual recognition statement was ready in November 2018 and 19 entities had signed the document. An implementation framework for the mutual recognition principles might be required to enable and guide its consistent application. Principles for measuring client satisfaction with regard to all back-office services and costing and pricing principles had been endorsed by only two agencies. The business operations strategy 2.0 guidance was launched in October 2019, but the platform could be launched only in the first quarter of 2020. Seventy-nine United Nations country teams were in the process of developing or transitioning their business operations strategy.

228. Common back offices are country-level service centres consisting of teams of dedicated staff that are responsible for the implementation of some or all of the common services reflected in the business operations strategy. Common back office methodology was still under design and the likely date of handing over was June 2020. Regarding the target of common premises, the development of a new inter-agency premise database was still under way. Pilots had been completed in four of the six identified countries by April 2020 and the remaining two were being finalized. The outcome of the pilot was a consolidation plan approved by the country team, but the consolidation plan was not completed in any country. Clarification of the roles and division of labour of the Business Innovations Group project team and the United Nations Sustainable Development Group Task Team on Common Premises and Facility Services was required.

229. The main recommendations are that the Administration:

(a) Take steps to address the funding gap issues with the agencies not participating in cost-sharing and encourage them to be part of the United Nations development system;

(b) Make efforts to finalize accountability frameworks at the regional and global levels at the earliest opportunity to effectively identify relevant United Nations development system members and their roles, responsibilities and interrelationships and provide a comprehensive accountability framework;

(c) Continue to engage with country teams to ensure the timely formulation of new common country analyses and the updating of existing common country analyses;

(d) Proactively support the High-level Committee on Management in bringing all United Nations Sustainable Development Group members on board with regard to the mutual recognition principles and augmenting the capacity for tracking the progress of the implementation of the principles;

(e) Take steps to bring clarity to, and define the ownership and responsibility for taking further action to promote the adoption of, the client satisfaction and costing and pricing principles;

(f) Engage with country teams for the implementation of the business operations strategy 2.0 and explore the development of realistic transition and implementation timelines;

(g) Set specific timelines with interim targets and milestones for the roll-out of common back offices and monitor adherence thereto.

United Nations Development Programme

230. The Board noted that UNDP had established mechanisms and processes to deliver its contributions to the resident coordinator system funding and had initiated steps to operationalize, monitor and report on UNDP contributions to funding compact commitments.

231. The Board noted that UNDP had administered and facilitated the separation of the resident coordinator function from the UNDP resident representative function and, as from 1 January 2019, had served as an operational service provider to the resident coordinator system. The Board also noted that UNDP had completed the majority of actions in relevant operational areas related to the separation process and had continued some transitional arrangements throughout 2019.

232. The Board noted the strong commitment and engagement of UNDP 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 and that it was supported by the strong leadership of the Administrator and senior management.

233. With regard to the above findings, the Board recommends that UNDP:

(a) Continue to provide feedback and to engage with the Development Coordination Office on 1 per cent levy matters (including challenges observed at the country level and questions on interpretation of the United Nations Secretariat guidance);

(b) Use the results from the joint survey with the Development Coordination Office to assess and, if needed, refine its service offer to the resident coordinator system and its operational support to country offices;

(c) Consider further streamlining the mapping of its contributions to the United Nations development system reform process and continue its strong engagement with all inter-agency workstreams for the United Nations development system reform.

V. Impact of the pandemic

234. The COVID-19 pandemic has affected both the operations of the United Nations and the audit work of the Board, with consequences on the day-to-day business of all United Nations entities and, potentially, their financial positions. As the financial year of the United Nations peacekeeping operations ends on 30 June, they have been excluded from the present analysis.

235. In 2019, none of the organizations covered by the concise summary 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. Seeking to minimize interruptions to their activities while protecting the health of United Nations personnel, delegates and the general public, the organizations introduced remote working arrangements. Doing so assured business continuity for core functions at entity headquarters and country offices.

236. As the pandemic began to affect organizations only in 2020, data reported in the financial statements for the year 2019 were not affected. Ten entities[13] 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. Of those entities, nine stated that the impacts of the pandemic could not be reliably estimated as at the date of the financial statements. UNU disclosed a decline in the market value of its endowment fund investment portfolio as at 24 March 2020.

[13] UNCDF, UNDP, UNFPA, UNICEF, UNHCR, UNJSPF, UNODC, UNOPS, UNU and UN-Women.

237. 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. The timing and extent of the remote audits conducted are disclosed in the respective auditors' reports. In order to conduct remote audit work, the Board adapted processes and employed alternative audit procedures to obtain the required assurance.

238. The Board included an emphasis of matter in two reports. In the first, the Board highlighted alternative audit procedures in the area of implementing partner expenses (see also chap. II, sect. A, above). At UNHCR and UNFPA, implementing partner expenses are regularly audited by independent third-party auditors. Owing to the pandemic, these auditors were partly unable to perform their field audit work as planned and the Board obtained alternative audit evidence. This included additional analysis and confirmation of country operations and third-party auditors provided interim status updates. A second emphasis of matter was included in the UNHCR report and related to the effects of the COVID-19 pandemic. UNHCR relies heavily on voluntary contributions from a limited number of top donors, with a significant share of contributions due only in future years. The global economic downturn might therefore result in funding constraints and uncertainties with regard to humanitarian aid programmes.

VI. Acknowledgement

239. The Board wishes to express its appreciation for the cooperation and assistance extended to it and its staff by the United Nations Secretariat and the funds and programmes.

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile

21 July 2020

Annex I

Organizations covered by the report

Organization	*Lead auditor*
United Nations (Vol. I)	India
United Nations peacekeeping operations	Germany
International Trade Centre	India
United Nations Capital Development Fund	Germany
United Nations Development Programme	Germany
United Nations Environment Programme	Chile
United Nations Population Fund	Chile
United Nations Human Settlements Programme (UN-Habitat)	Chile
United Nations Children’s Fund	India
United Nations Institute for Training and Research	Chile
Office of the United Nations High Commissioner for Refugees	Germany
United Nations Joint Staff Pension Fund	Chile
United Nations Office on Drugs and Crime	Chile
United Nations Office for Project Services	India
United Nations Relief and Works Agency for Palestine Refugees in the Near East	Chile
United Nations University	Chile
United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)	Chile
International Residual Mechanism for Criminal Tribunals	Chile

Annex II

Definition of types of audit opinions

	Modified		
Unqualified	*Qualified*	*Adverse*	*Disclaimer*
An unqualified opinion implies that the financial statements of the auditee were prepared, in all material respects, in accordance with the applicable financial reporting framework, i.e., the International Public Sector Accounting Standards, which have been adopted by the United Nations and its funds and programmes.	A qualified opinion implies that the auditor, who, having obtained sufficient and appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements, or that the auditor is unable to obtain sufficient appropriate audit evidence on which to base an opinion on specific areas, but concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive. Therefore, an auditor expresses an opinion on the fair presentation of financial statements, but with an exception only for the area for which he or she did not get sufficient audit evidence.	An adverse opinion implies that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements, based on sufficient appropriate audit evidence.	A disclaimer of opinion is issued when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, normally due to scope limitation, and concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive. A disclaimer of opinion shall also be issued when, in extremely rare circumstances involving multiple uncertainties, the auditor concludes that, notwithstanding his or her having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial statements owing to the potential interaction of the uncertainties and their possible cumulative effect on the financial statements.

Note: "Emphasis of matter" is to draw users' attention to a matter presented or disclosed in the financial report that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial report.

"Other matters" is to draw attention to any other matter that is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.