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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 2020

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 2020.

* A/76/150.

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Letters of transmittal

Letter dated 22 July 2021 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 2020.

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

Letter dated 22 July 2021 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-sixth session.

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
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
UNFIP	United Nations Fund for International Partnerships
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 2020

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. Pursuant to the mandate provided by the General Assembly in its resolutions 47/211 and 68/19 A, the present report includes findings and conclusions identified in the reports of the Board of Auditors for 2020, 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 commentaries in the present summary report on financial performance, cash and investment management, employee benefit liabilities, receivables, expenses, budget management and fraud and presumptive fraud. In addition, the Board has included information about the impacts of the coronavirus disease (COVID-19) pandemic in seven cross-cutting areas on the United Nations entities covered in the present report. The Board has compiled the responses received from the entities in the present report.

II. General matters regarding the audited entities

A. Audit opinions

3. The Board audited the financial statements and reviewed the operations of 18 entities (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). Two entities, UNFPA and UNOPS, received an unqualified opinion with an emphasis of matter. "Emphasis of matter" is intended to draw users' attention to a matter presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements.

5. In accordance with regulations 7.5 and 7.11 of the Financial Regulations and Rules of the United Nations, 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.

B. Financial performance

Net results

6. A comparison of the net results of the financial performance of the audited entities at the end of 2019 and 2020 is presented in table 1. The Board analysed the financial statements of the 17 audited entities[2] and noted that 12 entities[3] closed the

[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.

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

[3] United Nations (Vol. I), United Nations peacekeeping operations, UNDP, UNEP, UNFPA, UN-Habitat, UNICEF, UNHCR, UNODC, UNOPS, UNU and UN-Women.

financial year with a surplus, while 5 entities[4] recorded a deficit. Of those five entities, two (UNRWA and IRMCT) had recorded a deficit in the previous financial year. Three entities that closed the financial year with a deficit (ITC, UNCDF and UNITAR) had recorded a surplus the previous year. Four entities that had closed the previous financial year with a deficit (United Nations peacekeeping operations, UNDP, UN-Habitat and UNHCR) recorded a surplus for 2020.

7. The primary reason for the deficit of $145 million in 2020 in the financial statements of UNRWA was a decrease in donor support by Governments and intergovernmental organizations in comparison with the previous year. The cash contribution decreased by $15 million. For ITC, the deficit of $10.778 million in 2020 was due to a decrease in voluntary contributions of $4 million and an increase in expenditure of $12 million. For UNCDF, the deficit of $5.9 million in 2020 was attributable mainly to decreased revenue and increased expenses. For UNITAR, the deficit of $0.603 million in 2020 was due to the combined effects of a significant decrease in voluntary contributions from Member States, a decrease in contribution agreements signed in 2020 and an increase in expenses as a result of salary increases owing to post adjustments and disbursements through implementing partners, mainly in the fourth quarter of 2020 in peacekeeping training programmes. For IRMCT, the deficit of $8 million in 2020 was due to a provision for credits to Member States, which was recorded as a reduction in income, and a decrease in investment income.

8. The Board noted that 10 entities[5] had improved their position of surplus/deficit, whereas the remaining 7 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	*2020*	*2019*	*2020*	*2019*
United Nations (Vol. I)	74 537	250 157	2 171 758	2 428 204
United Nations peacekeeping operations	3 626	(270 192)	502 698	290 282
ITC	(10 778)	6 301	(53 962)	(38 796)
UNCDF	(5 954)	74 068	268 870	274 411
UNDP	1 567 201	(94 543)	11 269 823	9 695 305
UNEP	279 220	218 732	2 118 239	1 852 148
UNFPA	88 811	279 001	1 520 144	1 432 856
UN-Habitat	43 249	(6 080)	356 807	318 986
UNICEF	1 216 338	188 213	8 899 780	7 731 947
UNITAR	(603)	16 004	30 831	31 987
UNHCR	554 430	(75 134)	2 479 849	2 106 830
UNODC	58 325	83 270	826 296	778 893
UNOPS	39 500	47 137	286 546	252 044
UNRWA	(145 103)	(172 357)	(217 898)	(775)
UNU	47 360	44 483	510 319	463 797

[4] ITC, UNCDF, UNITAR, UNRWA and IRMCT.

[5] United Nations peacekeeping operations, UNDP, UNEP, UN-Habitat, UNICEF, UNHCR, UNRWA, UNU, UN-Women and IRMCT.

Entity	Surplus or deficit		Net assets	
	2020	2019	2020	2019
UN-Women[a]	96 187	41 578	875 839	786 197
IRMCT	(8 004)	(8 186)	58 180	76 368

Source: Financial statements of the individual entities.

[a] Differences between the figures reported in the concise summary for 2019 (A/75/177) and the same figures for 2019 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 (2019 and 2020). In 2020, 15 of the audited entities showed positive net assets. Two entities (ITC and UNRWA) showed negative net assets for the second consecutive year, attributable mainly to an operating loss and a net actuarial loss on employee benefit liabilities recognized in net assets.

10. The net assets of the United Nations as reported in volume I declined compared with the previous year, but still showed a positive balance. The decrease of $256 million in assets was due mainly to actuarial losses on employee benefits liabilities ($321.69 million), offset in part by the surplus for the year ($74.54 million).

11. The Board also noted that the net assets of three entities had significantly increased compared with the previous year. As detailed below, UNDP and UNICEF showed a high level of net assets owing mainly to multi-year contributions and their revenue recognition policy (IPSAS 23: Revenue from non-exchange transactions (taxes and transfers)). The variation in net assets of $0.373 billion for UNHCR, whose net assets reached $2.5 billion, was due mainly to the surplus for the period.

12. The increase in net assets of $1.6 billion to $11.3 billion for UNDP was due to a combined effect of the following factors: (a) a surplus of $1,567 million; (b) change in fair value of available-for-sale investments of $79.5 million; (c) actuarial losses of $71.5 million; and (d) change in value of funds with specific purposes of $0.8 million. The surplus results from the fact that UNDP funding is received on a cyclical basis, that is to say, at times, multi-year agreements with donors are signed and the revenue is recorded in full up front, provided that certain criteria are met.

13. For UNICEF, net assets increased by $1.2 billion, reaching $8.9 billion, as a result of an increased surplus, which largely related to other resources earmarked for specific activities for which contributions were received during the fourth quarter of 2020, as well as contributions to programmes that took place over multiple years while revenue was recognized in full at the time of signature of the agreement.

14. The net assets of the remaining entities had been relatively stable or had increased 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

15. 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).

16. 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 is considered to be a sound indicator of financial sustainability and/or liquidity. Detailed explanations of each individual ratio are provided in the notes to table 2.

17. Of all 17 entities,[6] 2 have an assets-to-liabilities ratio below or at 1 (ITC, at 0.88; and UNRWA, at 0.80). Four entities have an assets-to-liabilities ratio above but close to 1 (United Nations peacekeeping operations, at 1.11; United Nations (Vol. I), at 1.27; UNOPS, at 1.08; and IRMCT, at 1.34). The remaining entities have ratios comfortably above 1 (between 2.19 for UNITAR and 12.49 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.

18. The Board further noted that United Nations peacekeeping operations had cash ratios of less than 1, at 0.47 (0.49 in 2019). While the cash ratio was above or close to 1 for several missions and support activities, it was close to zero for other missions as at 30 June 2020. The main reason for the low cash ratio was the non-payment of assessed contributions, which leads to pressure on the liquidity side.

19. For UNOPS, the Board noted that, in 2020, liquidity ratios increased slightly; however, the current ratio (0.88), quick ratio (0.87) and cash ratio (0.85) were all below 1, as in the previous year. 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. These long-term investments were not reflected in the liquidity ratio calculation but UNOPS was able to readily convert the long-term investments to cash or cash equivalents.

20. 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 those entities for which the ratios were near or below 1, there was no immediate threat to their solvency. However, the Board noted that the liquidity ratios of 11 entities had decreased compared with the previous year, whereas the remaining six had seen an increase in that respect. Consequently, if the ratios in general showed sufficient solvency and the liquidity ratios were sufficient (with the exception of United Nations peacekeeping operations), it was possible that in a short-term perspective there might be pressure on the liquidity side.

Table 2
Ratio analysis as at 31 December 2020

	Assets 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	*2020*	*2019*	*2020*	*2019*	*2020*	*2019*	*2020*	*2019*
United Nations (Vol. I)	1.27	1.33	3.79	4.11	3.51	3.78	2.48	2.73
United Nations peacekeeping operations	1.11	1.07	1.25	1.27	1.11	1.12	0.47	0.49
ITC	0.88	0.90	3.24	2.98	3.16	2.88	1.74	1.57
UNCDF	12.49	14.20	30.44	31.37	30.19	31.14	16.26	15.65
UNDP	4.72	4.48	5.54	5.13	5.39	4.95	3.55	3.32
UNEP	4.84	4.29	5.93	4.80	4.99	3.89	3.60	2.61
UNFPA	3.55	3.68	5.91	6.38	5.20	5.78	4.20	4.68
UN-Habitat	2.73	3.10	2.60	3.12	2.41	2.83	1.32	1.68
UNICEF	3.16	3.25	4.19	4.51	3.10	3.43	1.84	2.20

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

Entity	Assets 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]	
	2020	2019	2020	2019	2020	2019	2020	2019
UNITAR	2.19	2.54	8.33	18.49	7.98	15.60	5.70	10.78
UNHCR	2.63	2.66	8.97	7.88	7.58	6.71	4.34	3.66
UNODC	3.08	3.17	4.65	5.14	4.51	4.88	3.60	4.11
UNOPS	1.08	1.12	0.88	0.85	0.87	0.84	0.85	0.81
UNRWA	0.80	1.00	1.80	2.41	1.41	1.97	1.24	1.49
UNU	8.23	8.39	5.06	6.25	5.04	6.21	3.46	4.38
UN-Women[e]	6.04	6.29	12.67	12.57	11.83	11.64	8.59	7.34
IRMCT	1.34	1.52	5.69	9.70	5.67	9.65	4.01	7.44

Source: Audit reports of the Board.

[a] A high ratio (1 or higher) indicates an entity's ability to meet its overall obligations.

[b] A high ratio (1 or higher) 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.

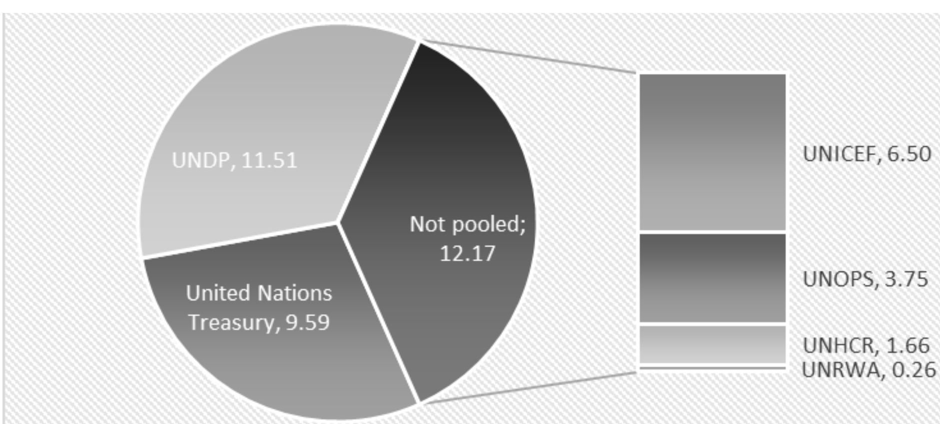
[e] Differences between the figures reported in the concise summary for 2019 and the same figures for 2019 in the present report are due to restatements made by management.

C. Cash and investment management

21. 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 amounts of participating entities.

United Nations cash and investment pooling and others, 2020

(Billions of United States dollars)



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

22. As at 31 December 2020, eight of the audited entities[7] were participating in the investment pool maintained by the United Nations Treasury, which managed cash and investments of $9.59 billion in its investment pool (see figure above). In addition, UNDP managed 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) had a total of $12.17 billion of cash and investments that were not pooled or managed by others.

23. 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.

24. In general, investments (short-term and long-term investments, see table 3) are increasing; for instance, three entities showed an increase of over $1 billion compared with the previous year. For nine entities, such assets combined with cash and cash equivalents represented more than half of total assets. For UNOPS and UNU, they were higher than 75 per cent of total assets.

25. As at 31 December 2020, investments were above $1 billion for seven entities (United Nations (Vol. I), United Nations peacekeeping operations, UNDP, UNFPA, UNEP, UNICEF and UNOPS). The status of cash, cash equivalents and investments for 17 entities[9] as at 31 December 2020 is shown in table 3.

Table 3
Cash, cash equivalents and investments as at 31 December 2020

(Thousands of United States dollars)

	Cash and cash equivalents		*Investments (short + long term)*		*Total assets*		*Cash and investments as a percentage of total assets*		
Entity	*2020*	*2019*	*2020*	*2019*	*2020*	*2019*	*2020*	*2019*	*With whom have the resources been pooled?*
United Nations (Vol. I)	544 417	1 110 997	4 097 201	3 051 873	10 270 078	9 714 921	45.20	42.85	United Nations Treasury
United Nations peacekeeping operations	139 462	78 719	1 529 911	1 229 521	5 096 554	4 751 593	32.75	27.53	United Nations Treasury
ITC	18 983	36 663	154 605	100 266	412 027	362 365	42.13	37.79	United Nations Treasury
UNCDF	48 107	32 164	108 355	110 722	292 274	295 196	53.53	48.40	UNDP
UNDP[a]	1 177 292	812 512	7 894 184	7 122 979	14 298 583	12 485 297	63.44	63.56	UNDP
UNEP	143 261	271 786	1 167 945	743 596	2 670 183	2 415 096	49.11	42.04	United Nations Treasury
UNFPA	278 246	189 481	1 235 536	1 248 592	2 116 041	1 967 625	71.54	73.09	UNDP
UN-Habitat	30 446	63 579	246 143	173 742	562 516	471 165	49.17	50.37	United Nations Treasury
UNICEF	710 257	796 303	5 790 245	4 725 375	13 019 440	11 174 362	49.93	49.41	Not pooled
UNITAR	11 181	6 735	26 820	21 836	56 632	52 784	67.10	54.13	UNDP
UNHCR	1 125 255	983 466	534 000	330 000	4 004 257	3 375 886	41.44	38.91	Not pooled

[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 (short + long term)		Total assets		Cash and investments as a percentage of total assets		With whom have the resources been pooled?
	2020	2019	2020	2019	2020	2019	2020	2019	
UNODC	95 283	215 675	776 605	589 948	1 223 074	1 137 725	71.29	70.81	United Nations Treasury
UNOPS[b]	883 975	559 444	2 905 506	1 714 879	3 909 647	2 367 211	96.93	96.08	Not pooled
UNRWA	260 686	268 522	–	–	862 400	934 265	30.23	28.74	Not pooled
UNU[c]	27 635	28 531	450 714	410 145	580 881	526 557	82.35	83.31	United Nations Treasury
UN-Women[d]	164 785	145 360	567 395	423 036	1 049 462	934 895	69.77	60.80	UNDP
IRMCT	17 787	45 229	144 942	123 700	230 663	224 205	70.55	75.35	United Nations Treasury

Source: Financial statements of the individual entities.

[a] Includes funds held in trust balances.

[b] Differences between the figures reported in the concise summary for 2019 and the same figures for 2019 in the present report are due to reclassifications made by management.

[c] Of the total cash and investments of $478.35 million, $425.70 million, or 89.0 per cent, comprises the UNU Endowment Fund, which is managed by a global investment firm and overseen by the Office of Investment Management of UNJSPF; $30.44 million, or 6.4 per cent, relates to the cash investments pooled with the United Nations Treasury.

[d] Differences between the figures reported in the concise summary for 2019 and the same figures for 2019 in the present report are due to restatements made by management.

D. Employee benefit liabilities

26. Employee benefits include short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits.

27. 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.

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

29. Employee benefit liabilities increased over the year for 17 entities, decreased for one entity (United Nations peacekeeping operations) and accounted for the majority of liabilities across all entities. The main reasons for the increases were the changes in financial assumptions, such as the reduction of the discount rate applied in the actuarial valuation exercise, and an increase in the annual leave liabilities owing to staff not taking their planned leave entitlements in 2020 as a result of the COVID-19 pandemic and travel limitations.

30. For 15 entities, such liabilities represented more than one quarter (25 per cent) of total liabilities; for 10 entities they were more than half of total liabilities. For United Nations (Vol. I), UNCDF, UNITAR, UNHCR, UNRWA and UN-Women, employee benefit liabilities were higher than 75 per cent of total liabilities.

31. After-service health insurance is a health insurance plan for former staff members and their dependants, which 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.

32. In 2020, the highest amounts for after-service health insurance liabilities (with accounts of more than $1 billion) were held by United Nations (Vol. I), United Nations peacekeeping operations, UNDP, UNICEF and UNHCR.

Table 4
Status of employee benefit liabilities in different entities as at 31 December 2020
(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	*2020*	*2019*	*2020*	*2019*	*2020*	*2019*	*2020*	*2019*
United Nations (Vol. I)	6 588 144	6 039 033	8 098 320	7 286 717	81.35	82.88	5 891 198	5 390 483
United Nations peacekeeping operations	2 002 174	2 092 580	4 593 856	4 461 311	43.58	46.91	1 576 645	1 679 413
ITC	180 239	170 132	465 989	401 161	38.68	42.41	164 795	155 948
UNCDF	20 897	17 803	23 404	20 785	89.29	85.65	14 577	12 644
UNDP	1 531 495	1 382 761	3 028 760	2 789 992	50.57	49.56	1 173 893	1 047 179
UNEP	278 899	250 497	551 944	562 948	50.53	44.50	228 438	205 004
UNFPA	426 877	370 292	595 897	534 769	71.64	69.24	352 844	307 443
UN-Habitat	45 346	37 846	205 709	152 179	22.04	24.87	32 907	26 092
UNICEF[b]	1 888 313	1 631 156	4 119 660	3 442 415	45.84	47.38	1 540 920	1 348 648[c]
UNITAR	20 374	18 773	25 801	20 797	78.97	90.27	17 724	16 313
UNHCR	1 290 187	1 019 034	1 524 408	1 269 056	84.64	80.30	1 021 858	798 877
UNJSPF	116 330	103 989	274 042	256 502	42.45	40.54	105 186	93 611
UNODC	135 068	117 027	396 778	358 832	34.04	32.61	96 133	80 623
UNOPS	143 230	117 378	3 623 101	2 115 167	3.95	5.55	84 064	71 954
UNRWA	951 059	843 569	1 080 298	935 040	88.04	90.22	788	851
UNU	15 131	13 110	70 562	62 760	21.44	20.89	9 572	8 204
UN-Women[d]	132 706	109 514	173 623	148 698	76.43	73.65	93 422	77 078
IRMCT[e]	98 600	88 212	172 483	147 837	57.17	59.67	81 717	73 623

Source: Financial statements and information provided by the individual entities.
[a] Excluding pension liabilities.
[b] After-service health insurance balances for UNICEF include its after-service health insurance medical insurance plan.
[c] Figure has been restated owing to the detection of a slight difference from the figure reported in the concise summary for 2019.
[d] Differences between the figures reported in the concise summary for 2019 and the same figures for 2019 in the present report are due to restatements made by management.
[e] Excluding pension liabilities of judges.

E. Receivables

33. 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.

34. As at 31 December 2020, the 17 United Nations entities[10] included in table 5 accumulated total receivables (assessed contributions, voluntary contributions and other receivables) of $16,852 million. Receivables outstanding for one year or longer totalled $909 million, while receivables from other United Nations entities amounted to $1,017 million.

35. The Board noted that 14 entities had increased receivables compared with the previous year. The entity with the highest receivables, for the third consecutive year, is UNDP, at $4,862 million, owing to commitments and agreements with funding partners, including those made for future years.

36. UNEP had the highest receivables from other United Nations entities. In 2020, those receivables totalled $635 million, or 64.3 per cent of all such receivables, more than twice the aggregate amount of the other 16 entities. This was due 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.

37. Eight entities had receivables of more than $5 million that had been outstanding for one year or more; for one entity (IRMCT), receivables outstanding for one year or more exceeded 80 per cent of its total receivables.

Table 5
Receivables as at 31 December 2020
(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	*2020*	*2019*	*2020*	*2019*	*2020*	*2019*
United Nations (Vol. I)	2 140 381	2 037 955	58 446	16 756	120 539	104 169
United Nations peacekeeping operations	1 701 661	1 534 121	359 751	388 242	15 646	18 346
ITC[a]	227 801	215 213	–	–	1 621	1 384
UNCDF	132 138	149 355	151	85	270	5 102
UNDP[b]	4 861 601	4 123 046	25 483	23 762	4 508	10 288
UNEP	988 773	986 402	259 777	308 167	635 466	585 282
UNFPA	439 083	405 386	3 102	810	4 286	3 863
UN-Habitat	234 453	182 038	58 196	48 197	28 037	29 582
UNICEF	3 776 479	3 489 431	19 010	6 838	140 999	81 604
UNITAR[a,b]	16 332	15 953	91	–	3 170	1 849
UNHCR	1 562 955	1 412 265	4 662	–	19 171	60 523
UNODC[a]	308 792	272 851	9 032	4	11 839	14 956
UNOPS[b]	85 705	57 851	2 747	961	1 090	13 722
UNRWA	20 809	64 202	2 065	2 805	698	255
UNU[a]	47 685	36 509	297	1 521	20	9
UN-Women[c]	255 749	305 496	63 879	76 325	33 130	42 284
IRMCT[a]	52 426	41 401	42 878	38 635	9	1

(Footnotes on following page)

[10] All entities except UNJSPF.

(Footnotes to table 5)

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

[a] Differences between the figures reported in the concise summary for 2019 and the same figures for 2019 in the present report are due to a recalculation of outstanding receivables for one year or more using a uniform criterion.

[b] Differences between the figures reported in the concise summary for 2019 and the same figures for 2019 in the present report are due to reclassifications made by management.

[c] Differences between the figures reported in the concise summary for 2019 and the same figures for 2019 in the present report are due to restatements made by management.

F. Expenses

38. Table 6 sets out the total expenses over two years (2019 and 2020). The Board noted that 10 of the audited entities showed an increase in 2020. In this regard, the travel expenses of most entities significantly decreased as a result of travel bans, lockdowns and restrictions, while there were increased expenditures to address unplanned COVID-19-related requirements.

39. As at 30 June 2020, United Nations peacekeeping operations had the highest expenses of all 18 audited entities. The total expenses of United Nations peacekeeping operations amounted to $7,337 million, which was a decrease of approximately $396 million compared with 2019. Of the total expenses of United Nations peacekeeping operations, 24.17 per cent were for staff costs, which amounted to a total of $1,773 million in 2020, slightly lower than in 2019 ($1,897 million).

40. The Board also noted that IRMCT was the entity for which staff costs accounted for the highest percentage of total expenses: 75.81 per cent as at 31 December 2020. The staff costs to total costs ratio was higher, not because staff costs of IRMCT were high, but because non-staff costs were low. Even if non-staff members performed the same functions as staff, they were considered contractors, so their costs were accounted for under the non-staff group of experts.

41. By contrast, staff costs accounted for the lowest percentage of total expenses at UNOPS: 13.08 per cent as at 31 December 2020. The Board attributed this to UNOPS being a United Nations entity that focused on supporting and managing the implementation of projects for the United Nations system and its partners.

42. UNU contractors hired under personnel services agreements were considered to be employees for IPSAS reporting but were not counted as staff according to the staff rules and regulations. Therefore, personnel services agreement salaries were 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 2020
(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	*2020*	*2019*	*2020*	*2019*	*2020*	*2019*	*2020*	*2019*	*2020*	*2019*
United Nations (Vol. I)	6 773 095	6 646 401	2 774 272	2 704 825	17 518	17 659	40.96	40.70	158.37	153.17
United Nations peacekeeping operations	7 336 867	7 732 739	1 773 350	1 896 592	13 183	13 203	24.17	24.53	134.52	143.65
ITC	131 295	118 952	68 573	55 592	404	352	52.23	46.73	169.74	157.93
UNCDF	81 669	73 573	22 785	21 061	171	156	27.90	28.63	133.25	135.01
UNDP	5 050 846	4 923 673	814 310	788 260	7 567	6 989	16.12	16.01	107.61	112.79
UNEP	516 609	619 018	189 798	183 164	1 269	1 242	36.74	29.59	149.57	147.48
UNFPA	1 228 103	1 130 203	320 774	303 676	3 072	2 935	26.12	26.87	104.42	103.47
UN-Habitat	150 858	178 412	46 714	47 132	303	302	30.97	26.42	154.17	156.07
UNICEF[a]	6 405 833	6 261 623	1 657 747	1 519 506	15 745	15 327	25.88	24.27	105.29	99.14
UNITAR[b]	34 679	28 941	11 484	10 032	103	106	33.12	34.66	111.50	94.64
UNHCR	4 337 218	4 258 271	1 167 879	1 124 219	13 336	12 833	26.93	26.40	87.57	87.60
UNJSPF[b,c]	103 194	103 567	50 700	49 377	325	275	41.90	45.06	133.05	150.36
UNODC	333 101	374 841	132 258	125 802	889	879	39.71	33.56	148.77	143.12
UNOPS	1 140 725	1 190 261	149 255	131 959	823	819	13.08	11.09	181.35	161.12
UNRWA	1 127 619	1 173 132	708 705	684 138	28 451	28 615	62.85	58.32	24.91	23.91
UNU[d]	70 737	75 813	17 461	17 859	126	124	24.68	23.56	138.58	144.02
UN-Women	439 510	420 890	156 738	141 833	1 161	1 088	35.66	33.70	135.00	130.36
IRMCT	92 559	93 262	70 168	67 527	559	638	75.81	72.41	125.52	105.84

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

[a] Figure has been restated owing to the detection of a slight difference from the figure reported in the concise summary for 2019.

[b] Differences between the figures reported in the concise summary for 2019 and the same figures for 2019 in the present report are due to restatements or reclassifications made by management.

[c] Figures for total expenses only represent administrative expenses, owing to the differing nature of UNJSPF operations.

[d] Figures for staff costs per staff member are calculated without salaries for personnel services agreements. To reflect this situation, the figures reported in the concise summary for 2019 differ from the same figures for 2019 in the present report.

G. Budget management

43. 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.

44. The Board noted that, of the 18 audited entities, 15 had budget expenditure not exceeding the appropriated budget, while three entities had a slightly higher budget expenditure than that appropriated. UNOPS was the only entity to have budget expenditure over 18 per cent more than that appropriated. The difference was mainly due to an increase in expenditure against the write-offs, provisions and contingency surplus budget.

45. Expenditure incurred by UNHCR, UNICEF and UNRWA was more than $100 million lower than the budget funds appropriated. The total budget for UNHCR was 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 2020, the funds available amounted to $5,404 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.

46. For UNRWA, the variation in the utilization of the different budget cost components was due to various factors, such as management action to reduce the cash shortfall; cash and food distribution from the social safety net programme; and the impact of the COVID-19 pandemic.

47. The total budgetary expenditure of UNICEF was $6.46 billion. For UNICEF, the difference between the final budget and the actual expenditure was mainly due to variances in the following budget lines: $221.90 million for other resources – regular; $95.49 million for other resources – emergency; and $43.82 million for the institutional segment.

Table 7
Status of the budget at various entities for the year ended 31 December 2020
(Thousands of United States dollars)

	Total budget 2020			
Entity	*Appropriation*	*Expenditure*	*Difference*	*Difference as a percentage of total budget appropriation*
United Nations (Vol. I)[a]	3 073 831	3 015 940	(57 891)	(1.88)
United Nations peacekeeping operations	6 811 504	6 712 118	(99 386)	(1.46)
ITC	37 971	37 965	(6)	(0.02)
UNCDF[a]	11 177	10 420	(757)	(6.77)
UNDP[a]	699 002	706 859	7 857	1.12
UNEP	102 853	93 166	(9 687)	(9.42)
UNFPA[a]	456 228	422 206	(34 022)	(7.46)
UN-Habitat	33 103	21 868	(11 235)	(33.94)
UNICEF	6 842 201	6 458 943	(383 258)	(5.60)
UNITAR	32 519	35 013	2 494	7.66
UNHCR[b]	9 131 348	4 837 666	(4 293 682)	(47.02)
UNJSPF	100 681	89 395	(11 286)	(11.21)
UNODC	319 955	311 155	(8 800)	(2.75)
UNOPS	70 006	83 015	13 009	18.58
UNRWA	1 057 115	833 298	(223 817)	(21.17)
UNU	50 885	47 260	(3 625)	(7.12)
UN-Women	472 139	445 503	(26 636)	(5.64)
IRMCT	96 925	93 414	(3 511)	(3.62)

(Footnotes on following page)

(Footnotes to table 7)

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Source: Information provided by the individual entities.

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

[b] The total estimated budgetary requirements for addressing the needs of all persons of concern amounted to $9,131 million. The total available funds were $5,404 million, while UNHCR implemented activities in the amount of $4,838 million. The difference amounted to $566 million, or 10.47 per cent of total available funds.

III. Fraud and presumptive fraud

48. The United Nations and its funds and programmes deal with contributions raised from Member States and donations from governmental and non-governmental entities. Dealing with money received in good faith makes the United Nations and its funds and programmes more responsible and accountable for demonstrating a culture of good and transparent governance and zero tolerance of fraud and corruption.

49. The United Nations is exposed to a wide range of fraud risks, both internal and external. Fraud and corruption may be opportunistic attempts by individuals that can add up to significant losses if not tackled. If the perpetrators escape with light or insignificant punishment, it can create a culture in which wrongdoers appear to act with impunity.

50. The Board acknowledges that there are differences in how each entity manages information regarding fraud and presumptive fraud. However, the Board has attempted to harmonize the information disclosed by the entities in the present report, on the understanding that it is helpful to compare main trends using data from previous years.

51. Table 8 shows the cases of fraud or presumptive fraud reported annually by the entities and the number of cases pending for more than two years. Detailed explanations are included in the individual audit reports of the entities.

52. Of the 18 entities, the Board noted that 11 had reported cases of fraud or presumptive fraud in each of the past three years. Of those entities, four[11] had seen an increase in 2020 in cases of fraud and presumptive fraud compared with the previous year, whereas the remaining seven had seen a decrease in that respect.

53. In this regard, some entities had estimated the financial impact of some of their cases, while others did not provide that information and/or declared that the amount was undetermined. For example, for the year 2020, the United Nations, as reported in volume I, reported 111 cases of fraud or presumptive fraud, with an estimated amount of $32.47 million in 27 cases. For the rest of the cases, the estimated amount was categorized as "undetermined" or "unknown" in the report provided to the Board.

54. In general, except for five entities, the current total of fraud or presumptive fraud cases has increased in the past two years, particularly in the case of the United Nations as reported in volume I, which had 32 cases under investigation for more than two years.

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[11] UNEP, UNFPA, UNODC and UN-Women.

Table 8
Status of cases of fraud and presumptive fraud as at 31 December 2020

Entity	*Number of cases of fraud and presumptive fraud*			*Number of cases pending for more than two years*
	2020	*2019*	*2018*	
United Nations (Vol. I)	111	147	32	32
United Nations peacekeeping operations	123	128	115	4
ITC	–	–	–	–
UNCDF	–	2	–	–
UNDP	65	100	58	8
UNEP	8	7	3	–
UNFPA	11	4	5	–
UN-Habitat	–	–	5	–
UNICEF	107	142	58	2
UNITAR	–	–	–	–
UNHCR	102	106	102	2
UNJSPF	–	–	–	–
UNODC	12	10	8	–
UNOPS	66	79	41	–
UNRWA	48	58	20	6
UNU	–	–	–	–
UN-Women	12	10	5	–
IRMCT	–	–	–	–

Source: Information provided by the individual entities.

55. As highlighted by the Joint Inspection Unit in its report on fraud prevention, detection and response in United Nations system organizations (JIU/REP/2016/4), the nature of fraudulent activities and the levels of fraud committed by staff members and/or third parties vary widely between entities. Likewise, the information and the level of detail provided by the entities differ considerably between each of them. Moreover, the Unit stated that a “lack of clarity of the term ‘presumptive fraud’ and lack of a common understanding among organizations impedes the proper reporting on fraud cases to the external auditors” (ibid., para. 31). Accordingly, the Board made enquiries to the entities regarding the information presented in table 8 in an attempt to show the data in a comparable manner to facilitate an overview of this matter.

IV. Key findings and recommendations

56. 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 for each entity resulting from the financial and performance audits that it conducted for the year ended 31 December

2020. The Board highlights the major findings and recommendations with respect to the 17 United Nations entities[12] covered in the present report.

57. The Board conducted its audits remotely, including the final audit of the financial statements, owing to the COVID-19 pandemic.

A. United Nations (Vol. I)

Accounts and financial reporting

58. The overall financial situation of the United Nations as reported in volume I was relatively healthy. However, for regular budget and related funds, the cash ratio was 0.07, 0.06 and 0.26 at the end of 2018, 2019 and 2020, respectively, indicating some kind of liquidity risk. Through a dynamic analysis of the cash flows (in and out) for fund 10UNA (a major part of regular budget) in 2020, the Board noted significant cash shortages in the middle of the year, mainly due to the fact that assessed contributions were not paid in a timely manner. In recent years, most of the approved amount of the Working Capital Fund and the amount available in the United Nations Special Account had been used to deal with the liquidity crisis of the regular budget.

59. The Board noted a steady increasing trend for the accumulated surplus (or net assets) of the cost recovery fund (i.e. fund 10RCR), with an amount of $407.95 million as at 31 December 2020, an increase of 108 per cent compared with the end of 2016. As at 31 December 2020, 33 entities under the reporting scope of volume I provided cost recovery services to various business partners, of which United Nations Headquarters had the largest accumulated surplus, of $219.88 million. Most of the accumulated surplus was included in the United Nations cash pool. The regular budget was the biggest funding source for fund 10RCR, accounting for 30 per cent of its total revenue in 2020.

60. A total of 5,212 projects administrated by 10 entities, such as the Office for the Coordination of Humanitarian Affairs and the various United Nations trust funds, were pending financial closure with an outstanding value of $521.98 million as at 31 December 2020. Of those projects, 2,790 projects with a total value of $143.27 million had been pending for over two years. Keeping projects pending financial closure for a long time may result in a delay in the refund of unspent grants and affect efficient utilization of the fund balances.

Budget management

61. The balance of open commitments for the financial year ended 31 December 2020 was $219.53 million, of which 479 fund commitments totalling $122.85 million (56 per cent) had been established at year end with a posting date of 30 or 31 December 2020. The Board noted that 23 fund commitments, with a balance of $116.66 million, had been established with no supporting documents in December 2020. In addition, there were only approving officers, but no certifying officers, for the creation of the aforesaid 23 fund commitments, which was non-compliant with the requirements of the Financial Regulations and Rules of the United Nations.

62. In its resolution 74/262, the General Assembly reiterated that the use of consultants should be kept to a minimum and decided to reduce the proposed resources for consultants by 10 per cent for 2020. The Board noted that 11 entities or

[12] The concise summary does not include the Board's findings and recommendations on the United Nations peacekeeping operations because they have already been discussed in the individual audit report (A/75/5 (Vol. II), chaps. I and II).

programmes had higher actual expenditure on consultants and experts than original appropriations, with overexpenditure rates ranging from 13 per cent to 429 per cent.

63. The Board noted significant variances between planned and actual extrabudgetary posts for some departments. For instance, the planned extrabudgetary posts of the Department of Management Strategy, Policy and Compliance remained steady during the past three years, while the actual extrabudgetary posts were about 170 per cent of the planned posts. Similar cases had been observed at the Department of Political and Peacebuilding Affairs. Such significant variances may indicate that the staffing estimation does not take into due consideration the actual requirements.

Cash and investment management

64. As at 31 December 2020, a total of 256 house bank accounts were managed by the United Nations Treasury in Umoja, of which 71 accounts (28 per cent) were opened in one country (including 54 accounts in one particular bank of that country). In addition, nearly 10 per cent of the 256 accounts had a low frequency of usage and had seldom undertaken the collection and payment functions between 2018 and 2020. The practice of opening multiple bank accounts in a single country while leaving some of them barely used is not in keeping with the objective of house bank accounts of minimizing the number of bank accounts per country, and adds unnecessary administrative costs.

65. The qualified banks and brokers or dealers (i.e. trading counterparties) were determined without clear selection criteria or procedures except for the minimum requirements defined in the United Nations Investment Management Guidelines. In 2020, 194 banks had reached the minimum requirements, of which only 86 banks (44 per cent) were selected as trading counterparties. The others were not included in the list, with no official document indicating the reasons, even though some of them had ratings that were higher than the minimum rating requirements and some had ratings that were even higher than those of some of the counterparties on the list.

Assets management

66. The Board reviewed the equipment list of the United Nations as reported in volume I as at 31 December 2020 and noted that 1,306 items with an acquisition value of $42.6 million had the status of "equipment idle", representing 12 per cent in quantity and 10 per cent in value of the total equipment. A total amount of $29 million (69 per cent) of those assets had been idle for more than one year, and $14.6 million in assets had been idle since their acquisition.

Issues relating to the United Nations Foundation

67. The United Nations Foundation was established in 1998 as a non-profit organization to channel a $1 billion gift to support the United Nations. According to the Revised and Restated Relationship Agreement between the United Nations and the United Nations Foundation, the Foundation provides financial and other support to exclusively charitable activities of the United Nations in furtherance of the goals and objectives of the United Nations, and it has been authorized to use the name of the United Nations as part of its corporate name. During the first eight years of cooperation (i.e. 1999 to 2006), 84 per cent of the Foundation's programme expenses were channelled through the UNFIP account, which was under the effective oversight of the United Nations. In recent years, annual grants to the UNFIP account decreased significantly to around $10 million (about 10 per cent of the Foundation's programme expenses). Recent expenditure breakdowns revealed that the Foundation allocated

46 per cent of its budget to its hosted initiatives,[13] for which in some cases the Foundation had not provided sufficient information as required to justify their alignment to the United Nations priorities and the Sustainable Development Goals.

68. From 2018 to 2020, the Foundation reported on 14 initiatives that received contributions from Member States, out of which 7 were reported via email instead of the standardized template, as required. In addition, the standardized template did not require the Foundation to provide detailed budgets for the initiatives, so it was not clear how the funds would be used. On a sample basis, the Board reviewed an initiative named "Digital Impact Alliance" and noted that the Foundation had not reported all necessary information in its initiative proposal as required by the template, and it was not clear how the donation of $21.23 million from Member States (excluding $1.42 million transferred to implementing partners) was spent to support United Nations priorities and the Sustainable Development Goals due to a lack of detailed information.

69. The Foundation's Board of Directors established a reserve fund in 2006 and had set aside $141.2 million from the $1 billion gift originally pledged by the founder of the Foundation towards United Nations causes from 2006 to 2013, which was mainly used for investment. As at 31 December 2019, the balance of reserve investment was approximately $187.1 million, which was over 20 times its annual general and administrative expenses ($8.41 million) in 2019. The Board noted that general charity industry benchmarks suggested for the reserve of non-profits a minimum of three to six months of the operating expenses, and is of the view that the high reserve level may have a negative influence on public confidence in the Foundation's finance capability.

Delegation of authority

70. The Board reviewed the existing 16 key performance indicators for monitoring the performance of the delegated authority and noted that some key risks in functional areas were not covered thereby, such as the risk of incorrect utilization of fund commitments and the lack of segregation of procurement duties, which had also been identified by the Management Client Board as significant risks to be covered in the new expanded set of indicators. Such deficiencies may risk non-compliance and improper exercise of delegation of authority going undetected and corrective action not being taken in a timely manner.

71. The accountability framework for the heads of entity in exercise of the delegated authority needs to be improved, as a result of: (a) lack of performance indicators and targets on delegation of authority in the senior managers' compacts, with no generally accepted indicators or targets having been established to measure performance on delegation of authority, such as management of subdelegations of authorities, monitoring the performance of key performance indicators and delivering the expected results of the budget documents; and (b) lack of an accountability mechanism for some heads of entity. Out of 233 entities under the delegation of authority framework, 134 heads of entity were at the D-2 level or below and were not required to sign the senior managers' compacts unless specifically prescribed and there was no proper mechanism to hold those heads of entity accountable.

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[13] Hosted initiatives are multi-stakeholder initiatives hosted or incubated by the Foundation to complement United Nations efforts and help advance United Nations priorities. The Foundation and its Board, as host, provide final fiduciary accountability, as well as back office services, to enable these initiatives to get up and running and focus quickly on results.

Human resources management

72. The Board identified backlogs in the review and development of human resources policies to be aligned with the management reform, which is key to ensuring clarity and consistency in human resources management practice. As at 23 April 2021, six policies had been promulgated and 145 policies remained under review at different phases of the policy development process. The Administration explained that this was because resources had to be reprioritized to address the immediate needs related to developing COVID-19-related policies.

73. An analysis of the rosters maintained in the Inspira system revealed that, as at 31 December 2020, the roster memberships were distributed over nine job networks and 47 job families, with 55,087 roster memberships, among which 21,291 (39 per cent) were of female candidates, while 380 roster memberships were of people over the age of 65 and 5,977 roster memberships were more than 10 years old. The current policy was focused mainly on roster establishment rather than on roster management, resulting in limited guidance for roster creation and maintenance in terms of roster duration, category and geographical and gender distribution.

74. The Board noted instances of non-compliance with guidelines for consultants and individual contractors, including 101 consultant contracts that exceeded 24 months within a 36-month period; 12 retirees in receipt of pension benefits from UNJSPF being identified as having earnings exceeding $22,000 in 2020, which resulted in engagements beyond the established ceiling in the amount of $95,045; and two consultants and seven individual contractors having more than one contract in an overlapping period.

Operations related to development affairs

75. By the end of 2020, 21 of the 169 Sustainable Development Goal targets had matured, among which 18 targets had not been achieved, and outdated data had been used for calculation of 15 indicators. Deficiencies in the indicator framework for the Goals identified during the current audit included the following: four indicators had been unproperly classified as tier I indicators; the target for supporting least developed countries had no corresponding indicators; the statistical capacity indicator for Goal monitoring was without a custodian agency; and the custodian agency for the indicator on the proportion of total government spending on essential services was still under discussion.

76. The Board reviewed the progress of implementation of common back offices in a total of nine countries and noted that the revised deadline had not been achieved for all such offices in those countries. Only one country had finished all of the first six stages, while the implementation plan of the common back office had yet to be developed and it was not clear when such a plan could be developed for substantive implementation. Five countries had finished stage three, while the data completeness check was still under way, and three countries were still at the early stage of implementation. The target of the establishment of a common back office for all United Nations country teams by 2022 would be difficult to achieve.

77. The timeline of the target to increase the proportion of United Nations common premises to 50 per cent had been revised to be as at the end of October 2022. The current percentage of common premises was 22 per cent, indicating the risk of the expected target not being possible to achieve. Backlogs in project progress included lack of a resource mobilization plan and of capital funding for new common premises projects, lack of impact and prioritizing analyses and the need to put in place country common premises plans to indicate the key milestones, key enablers, main risks and risk mitigation measures, among other things.

Operations related to peace and security affairs

78. For the peace and security reform, it was not clear what the end state vision was or when the peace and security reform activities were to be completed, what type of a mechanism for continuous improvement was to be introduced and how the peace and security reform activities and benefits would be reported in the future.

79. The Department of Political and Peacebuilding Affairs is the lead entity of the United Nations for good offices, political analysis, mediation, electoral assistance, peacebuilding support and political guidance, and maintains rosters of experts for Security Council subsidiary bodies, international electoral experts and mediation experts. The Board identified deficiencies in relation to the size of the rosters and the geographical and gender representation of the roster members. For instance, out of the 871 experts on the roster for the Security Council subsidiary bodies, around 100 experts were inactive. Out of a total of 1,373 experts on the roster of electoral experts, 33 per cent were female. Out of 871 experts (from 99 countries) on the roster for Security Council subsidiary bodies, 457 experts (53 per cent) came from the 10 most-represented countries.

80. Thematic reviews are cross-project evaluations to assess the effectiveness of Peacebuilding Fund projects dedicated to a specific theme and their overall impact on peacebuilding. The Board noted different means for conducting thematic reviews. For instance, the largest donor of the Peacebuilding Fund in 2020 provided full funding for conducting the thematic reviews on gender, and the implementing partners of the thematic reviews were contracted by the donor rather than the Department of Political and Peacebuilding Affairs. The implementing partners were co-managed by the donor in consultation with the Peacebuilding Support Office. In addition, there was no documented policy for thematic reviews indicating the funding sources of the activities, the scope of the review and the roles and responsibilities of the Peacebuilding Support Office and donors in managing the review.

Humanitarian affairs

81. In November 2019, the Emergency Relief Coordinator released $20 million in loans from the grant element of the Central Emergency Response Fund to UNRWA, which was not strictly in compliance with General Assembly resolution 66/119 and Secretary-General's bulletin ST/SGB/2010/5. Furthermore, during the 2016–2020 period, a total of $135 million in loans was provided to UNRWA as a long-term source of funding, which may have a negative impact the flexibility of the Central Emergency Response Fund loan element as a cash-flow mechanism.

82. According to the data provided by the Office for the Coordination of Humanitarian Affairs, a total of $103.91 million was granted to sub-implementing partners by implementing partners in 310 country-based pooled fund projects in 2020. On sample basis, the Board noted that seven implementing partners had subgranted all programmatic activities, totalling $3.75 million, to 16 sub-implementing partners, after charging 6.5 or 7 per cent of the actual project expenditure as programme support costs and some other management costs. Three of those sixteen sub-implementing partners were currently listed as the Office's eligible implementing partners, involving a subgrant amount of $1.38 million. In 22 projects, the primary implementing partners had subgranted a total amount of $4.69 million to 20 sub-implementing partners who had been assessed as ineligible to receive direct funding by the Office.

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

(a) Enhance the performance of fund utilization under the cost-recovery fund (10RCR) to contribute to improved mandate delivery;

(b) Ensure that heads of entities review their internal controls and existing agreements with implementing partners, including appropriate time limits, and strengthen supervision and guidance regarding projects past due for financial closure, including timely refunds;

(c) Issue guidance on the creation and usage of fund commitments;

(d) Continue to centrally monitor and regularly review the fund commitments with the entities concerned and ensure that they are administered pursuant to the Financial Regulations and Rules of the United Nations, including by maintaining proper supporting documentation;

(e) Enhance the justification for material variances between expenditure and appropriation in the context of the financial performance report and the financial statements, in particular in situations of higher expenditure under consultants and experts;

(f) Request entities to enhance monitoring of expenditure under consultants and experts and to keep it to a minimum in accordance with the request of the General Assembly;

(g) Disclose information on the performance of post resources from extrabudgetary resources in order to improve its transparency;

(h) Intensify efforts to review more strictly estimated extrabudgetary posts in the proposed programme budget to ensure, to the extent possible, the accuracy of the estimated budget funded through extrabudgetary resources;

(i) Regularly review the actual usage of each account, identify those accounts that do not need to be retained and carry out the cleaning or consolidation necessary to better achieve administrative objectives and reduce management costs;

(j) Set out specified standards for the selection of trading counterparties and ensure that the decision-making process is well documented;

(k) In coordination with the relevant department or office, analyse the reasons for assets remaining idle, actively use idle assets and retire unusable ones, and take more proactive measures to avoid further obsolescence in the future;

(l) Continue to work through the joint coordination committee and the Advisory Board of UNFIP to urge the United Nations Foundation to contribute more resources directly to the United Nations in support of the Organization's activities;

(m) Coordinate with the United Nations Foundation to disclose more information on its programmatic initiatives in support of United Nations causes through the joint coordination committee, in order to provide further assurances that such activities are aligned to and support United Nations priorities and the Sustainable Development Goals;

(n) Request the United Nations Foundation to report, in a timely manner, on all donations from Member States in accordance with the agreed framework;

(o) Coordinate with the United Nations Foundation to ensure that the Foundation provides more detailed budget information through the joint coordination committee, according to the standardized template for reporting on the Foundation's initiatives;

(p) Coordinate with the United Nations Foundation to determine how the parties to the relationship agreement can coordinate regarding the Foundation's reserve policy, including by defining an appropriate level of the reserve and how the reserve is set aside and used;

(q) Launch the expanded set of key performance indicators in a timely manner and ensure that they cover all risks identified by the policy owners in the exercise of delegated authority in their different functional areas;

(r) Take measures to further improve the indicators in the senior managers' compacts and consider the alignment of the compacts' key performance indicators with the delegation of authority key performance indicators, so as to strengthen the effectiveness of senior managers' compacts as instruments of accountability;

(s) Consider the development of a proper accountability mechanism for heads of entities at the D-2 level or below, so as to ensure the proper chain of command and hold them accountable;

(t) Ensure that the Management Client Board continues to prioritize the development of policies in the Organization and reviews the progression of such work on a regular basis, with the aim of expediting their promulgation;

(u) Review the policies on rosters, taking into consideration geographical diversity, gender parity and sunset clauses to ensure right-sizing based on workforce planning forecasts, clarify accountability for maintaining rosters and formulate guidance for hiring managers on selecting rostered candidates;

(v) Provide clear operational guidance and strengthen the monitoring of the duration of the appointments of consultants and individual contractors and of applicable maximum allowable earnings to ensure that the requirements for consultants and individual contractors are duly followed, to monitor cases of contract overlap for consultants and individual contractors and to remind entities to avoid processing errors;

(w) Provide support for the work of the Inter-Agency and Expert Group on Sustainable Development Goal Indicators regarding continuous improvement in the Sustainable Development Goal indicator framework;

(x) Rely on the promotion of innovation, capacity-building and improvement of data and metadata exchange to facilitate the achievement of the targets of the Sustainable Development Goals through the acceleration of data collection for indicators that have matured;

(y) Engage the Business Innovations Group in deciding on a streamlined approval process and a revised timeline to ensure that the common back office is implemented and generates the envisaged benefits;

(z) Take all measures necessary to expedite the development of the country common premises plan at the country level and ensure that the resource mobilization plan and the impact and prioritizing analyses are finished as planned in accordance with the Business Innovations Group's annual workplan;

(aa) Identify the mechanism for continuous improvement and benefits reporting after the transition;

(bb) Review the eligibility of the inactive experts on the roster of mediation experts and the roster for the Security Council subsidiary bodies in order to determine whether they should continue to be included on those rosters;

(cc) Intensify its efforts to increase gender and geographical representation on the three rosters;

(dd) Develop an explicit policy for thematic reviews with a view to providing clear policy guidance for conducting the thematic reviews more consistently;

(ee) Strictly comply with General Assembly resolution 66/119 and Secretary-General's bulletin ST/SGB/2010/5 to maintain the size of the loan element at $30 million and make advances up to the total amount of cash available in the loan element of the Central Emergency Response Fund;

(ff) Ensure that Central Emergency Response Fund loans are provided to the United Nations agencies as a mechanism for mitigating ad hoc cash-flow gaps to ensure the rapid and coordinated response to humanitarian emergencies and not for addressing systemic cash-flow problems for specific agencies;

(gg) Make efforts, including but not limited to updating the operational handbook for country-based pooled funds, further specifying the rationale for implementing partner subgranting modalities and continuing to provide sustained assurances thereon.

B. International Trade Centre

84. According to the delegation of financial authority from the Controller, accounts receivable whose individual values are greater than $100 but less than $5,000 may be written off if ITC certifies that reasonable collection efforts have failed to produce positive results and further collection efforts would not be cost-effective vis-à-vis the receivable values. In 2020, one request for write-off of seven long-outstanding items which were advance payments to meeting participants was approved without reasonable collection efforts.

85. According to the administrative instruction on consultants and individual contractors, the international consultant and individual contractor rate should be paid in compliance with a regulated daily and monthly rate within a corresponding level range. There were 154 out of a total of 1,410 international consultant and individual contractor contracts whose daily rate ranged from $565 to $618, which fell between level C (a range from $390 to $560) and level D (a range from $620 to $750). The current daily fee range did not cover the actual payment and may not effectively regulate the fees of international consultants and individual contractors.

86. According to the administrative instruction on consultants and individual contractors, interim evaluations should be undertaken by the direct supervisor in cases of contract periods longer than six months. In 2020, ITC did not carry out interim evaluations for those contracts longer than six months.

87. Owing to the COVID-19 pandemic, the total number of trips in ITC dropped from 4,497 in 2019 to 947 in 2020. However, the overall rate of non-compliance with the 16-day advance ticket purchase policy in 2020 remained high, at 61 per cent. It was 53 per cent among ITC staff and 64 per cent among non-staff.

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

(a) Issue a guideline on procedures for collection of outstanding receivables, so that responsibilities can be established and certifying officers can provide a clear proof of collection efforts;

(b) Revise its policy with regard to the rate range structure to cover the actual payment;

(c) Carry out interim evaluations for those contracts with periods longer than six months;

(d) Adopt corrective measures to improve compliance with the advance ticket purchase policy.

C. United Nations Capital Development Fund

89. The Board noted that the currently applicable internal control framework of UNCDF was dated 8 June 2015. UNCDF had not performed the annual review stipulated in the framework.

90. The Board acknowledges that UNCDF does not benefit from the various dashboards and reports that UNDP has developed to monitor compliance with internal controls. Dedicated monitoring systems can enhance internal controls, relieve staff from burdensome manual checks and help to prevent manual errors.

91. UNCDF policies and procedures on delegation of authority require that all delegations of authority must be done formally in writing. Prior to October 2020, UNCDF kept incomplete documentation of delegations of authority issued. In addition to the written delegations of authority, UNCDF used a table to manage delegations of authority, in which references were made to delegations of authority to positions rather than to individuals.

92. The amounts that staff could authorize differed between the written delegations of authority and the table. The Board noted several cases in which staff had approved transactions without any written delegation of authority or for an amount exceeding the threshold established in their written delegation of authority, but lower than the threshold given in the table.

93. At UNCDF, the assessment of fraud and corruption risks is integrated into its overall risk management process, which is detailed in the enterprise risk management framework, rather than as a stand-alone procedure for each business area and process.

94. UNCDF recorded risks for programmes and projects on the risk register platform. The Board found that the share of recorded risks relating to fraud risks and fraudulent acts was only 2.7 per cent of all risks recorded in the risk register platform. The Board further noted that over 80 per cent of the programmes did not record any risk related to fraudulent acts.

95. UNCDF did not have in place continuous due diligence procedures, such as screening its vendor master file at regular intervals for the inclusion of ineligible vendors on the basis of the most recent ineligibility lists. Similar due diligence checks, such as reviewing the vendor master file for different vendors sharing contact details or reconciling vendor information with staff information to detect shell companies, were not in place.

96. The Board welcomed the immediate action taken by UNCDF to be included in the vendor dashboard as a monitoring tool of the Office of Audit and Investigation. However, the Board holds that additional continuous due diligence procedures need to be implemented and performed at regular intervals at headquarters.

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

(a) Initiate a review of its internal control framework to ensure that it is updated and meets the organization’s needs;

(b) Refine its internal control framework to strengthen its implementation and implement an appropriate monitoring system to establish that its internal control system is functioning;

(c) Further enhance the management of delegations of authority in accordance with the applicable guiding principles that govern the policies and procedures for the delegation of authority;

(d) Enhance current guidance on conducting fraud risk assessments and on identifying potential inherent fraud risks covering processes that are particularly vulnerable to the risk of fraudulent acts;

(e) Implement continuous due diligence procedures to regularly review its vendor master file for the inclusion of ineligible vendors and the detection of fraud risk red flags.

D. United Nations Development Programme

98. The Board noted that in 2020, the UNDP Global Shared Services Unit had received 49 documents relevant for revenue recognition of voluntary contributions signed in prior years with an overall amount of $66.0 million. In 2021, as at 28 June 2021, the Global Shared Services Unit received 44 documents relevant for revenue recognition of voluntary contributions signed in 2020 with an overall amount of $81.0 million. UNDP adjusted five documents relevant for revenue recognition of voluntary contributions signed in 2020 with the overall amount of $70.8 million in the financial statements 2020 to avoid the risk of a material misstatement and to recognize donors’ voluntary contributions in the correct period. The Board holds that UNDP should increase awareness among country offices and headquarters units to ensure timely submission of documents relevant for revenue recognition of voluntary contributions.

99. The Board found that UNDP had decided on a roll forward of the after-service health insurance liability in 2020 based on census data at the end of October 2020 which was within its acceptable threshold. The Board reviewed the census data as at 31 December 2020 and noted that the change in staff in 2020 exceeded the threshold set by UNDP. As a result, the Board holds that UNDP should have decided for a full validation based on the census data as at 31 December 2020. Compared with a revised calculation by the actuary, the after-service health insurance liability is overstated by $13.9 million.

100. The Board noted several manually recorded cases where revenue for exchange transactions was recorded in 2020 for services rendered by country offices in prior periods. The Board holds that country offices need to record and bill services in the period in which they have been provided to ensure correct asset and revenue recognition in line with IPSAS 9: Revenue from exchange transactions.

101. The Board noted that during the year 2020, UNDP resident representatives in 10 countries served temporarily as resident coordinators at the same time. In one country, the UNDP resident representative acted also as resident coordinator for the whole of 2020 and retained this function in 2021. The Board noted that UNDP did not receive cost recovery for UNDP resident representatives serving also as resident coordinators from the United Nations Secretariat. The Board holds that UNDP should liaise with the Secretariat and assess the feasibility of a reimbursement process for UNDP resident representatives also serving temporarily as resident coordinators.

102. The Board followed up on matters of non-compliance identified in its previous reports (A/74/5/Add.1 and A/75/5/Add.1). The Board noted that in response to previous findings of the Board, UNDP had enhanced the Atlas Role Generation and User-provisioning System (ARGUS) to further automate preventive controls on the assignment of staff functions to non-staff. Although assignment of staff functions to non-staff is not permitted pursuant to the UNDP internal control framework, the Board identified 101 cases where non-staff were performing internal control functions related to human resources. The Board found that all country offices where instances of non-compliance had occurred still confirmed compliance with related requirements under the UNDP internal control framework.

103. Pursuant to the UNDP internal control framework, each head of office has overall responsibility for maintaining documentation of the office's internal control procedures. The Board noted that documentation requirements for an office's control procedures were interpreted differently by heads of office, especially with regard to what details beyond authorities delegated, designations made and Atlas profiles authorized needed to be documented.

104. The UNDP policy on delegation of authorities sets out various guiding principles that govern the policies and procedures for the delegation of authority in UNDP. The Board noted that UNDP managed delegations of authority and related profiles in the enterprise resource planning system on paper, outside the Atlas Role Generation and User-provisioning System. The Board selected samples of user profiles such as approving manager and requested the respective written delegations of authority. The Board was provided with 152 out of the 172 requested delegations of authority and noted that 23 per cent of the delegations received did not meet the criteria outlined for delegations of authority in the respective policy and the UNDP internal control framework.

105. The UNDP enterprise risk management policy states that directors of bureaux were, inter alia, responsible for ensuring that country offices under their supervision kept their risk registers up to date. The same policy further states that heads of office were ultimately responsible for enterprise risk management and accountable to the relevant bureau director for ensuring that the unit's risk register was regularly monitored and updated and that risks were managed.

106. Based on a newly launched project risks dashboard, the Board reviewed the project risks documented and the completeness of the risk entries recorded. The Board found that in December 2020, 34 per cent of projects did not record any risks and that for 55 per cent of the risks, the recorded information was incomplete. The Board noted that the oversight of regional bureaux as regards enterprise risk management showed varying degrees of effectiveness. The Board found that country offices with the highest numbers of projects without risk entries and high numbers of projects with incomplete risk entries still had confirmed that they maintained and updated project risks in Atlas.

107. The harmonized approach to cash transfers is a common operational (harmonized) framework for transferring cash to partners. The approach is intended to offer a simplified set of procedures for managing risks effectively, reducing transaction costs and promoting sustainable development in a coordinated manner.

108. The Board noted that UNDP had engaged in continuous improvement of the implementation of the harmonized approach to cash transfers framework and associated documentation. The Board, however, also noted a number of cases of non-compliance with the applicable requirements. These included lack of valid assessments of the partner's financial management capacity and lack of assurance activities carried out to determine whether funds transferred were used for their intended purpose and in accordance with the workplan.

109. The Board further noted that the resident representatives were accountable to the Administrator for applying the harmonized approach to cash transfer procedures at country level with regional headquarters' oversight and support. The Board noted that regional bureaux carried out oversight based mainly on corporate monitoring procedures. The Board holds that the identified cases of non-compliance with the framework show that a strengthened control environment is necessary.

110. The Board found that an increasing number of UNDP staff had very high accumulated annual leave balances. The Board noted that annual leave is intended for recuperation as well as for preserving staff productivity. A key task of management is

to control and monitor the appropriate use of annual leave during the year to prevent constant stress and situations of permanent or sole responsibilities of staff to mitigate fraud risks. The Board holds that the fact that the total number of staff members with 60 or more accumulated annual leave days stands at 2,842 shows that UNDP did not effectively control and monitor the use of annual leave by its staff. This will impact future budgets and may entail risks with respect to the availability of staff resources for programmes.

111. The Board holds that UNDP should review home leave policy to ensure that staff members inform UNDP immediately of changes in approved home leave-related travel. For this purpose, UNDP needs to establish applicable obligations and timelines for entitled staff members as well as effective reminders. The Board found that UNDP had no effective process in place for timely recovery and deduction. The Board holds that UNDP should define the recovery process and implement an effective sanction mechanism to ensure timely settlements and evidence checks.

112. The Board holds that UNDP should grant advance salary payments to staff only in exceptional and unexpected circumstances when additional moneys were needed. The Board observed that in more than 50 per cent of the requests reviewed, the applicants had not provided evidence that the attempt to secure financing from local lending institutions or from the United Nations Federal Credit Union was unsuccessful. Moreover, the Board noted that granting multiple advance salary payments to the same staff within a 12-month period did not comply with the applicable regulation for advance salary payments. The Board holds that UNDP should exclude multiple advance salary payments to the same staff because cumulated advances may increase the potential risk of underrecoveries or defaults in receivables from staff.

113. The Board noted the continuing inclusion of ineligible vendors in vendor master files. The Board identified the inclusion of three ineligible vendors in the vendor master file of the country office in Pakistan. The Board found five ineligible vendors in the vendor master file of the country office in Iraq. The Board noted that all of these ineligible vendors had been debarred by UNDP and included in a UNDP intranet list.

114. The Board reviewed vendor master files and noted duplicate vendor records and duplicate bank accounts. During its audits of the country offices in Iraq, Pakistan and Venezuela (Bolivarian Republic of), the Board noted various data quality issues associated with vendor records, such as incomplete address data, obvious errors in spelling of city names and invalid data entries such as numbers in address fields. The Board holds that accurate, complete and reliable vendor master data not only contributes to the efficient processing of procurement- and payment-related transactions, but also reduces the risks of fraudulent acts. The Board was informed that UNDP intended to implement a new supplier portal which would include enhancements to ensure that data were complete and that all essential vendor information was properly and accurately captured.

115. The Board noted that the UNDP Programme and Operations Policies and Procedures required the development of procurement plans for projects and consolidated procurement plans for country offices on an annual basis. The Board found that the country office in Iraq did not use the corporate procurement management platform that had been established in response to the Board’s earlier findings related to procurement planning. The Board was informed that a mandatory procurement plan for the largest project in the country office in Iraq had not been submitted in 2019 or 2020.

116. The Board reviewed the procurement actions processed by the country office in Iraq in 2020 and noted several opportunities to consolidate procurement actions such

as for minor construction works related to rehabilitations of schools. The Board holds that better consolidation of procurement requests would enhance the efficiency of the procurement function, as it reduces the administrative burden imposed by the conducting of multiple solicitations.

117. In March 2020, UNDP launched its new information technology strategy to lay the operational foundation for delivering on the digital transformation of UNDP. The accompanying information technology standards for infrastructure and services were renewed in March 2021. UNDP uses long-term agreements with suppliers for the delivery of laptops and computers. The Board noted that only one third of all purchases were based on these agreements which offer cost savings and facilitate standardizations. The Board holds that UNDP should include mandatory specifications and the mandatory use of long-term agreements with the new information technology standards for infrastructure and services.

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

(a) Increase awareness among country offices and headquarters units to ensure timely submission of documents relevant for revenue recognition of voluntary contributions and continue to monitor the late submission of such documents to determine whether additional guidance is needed;

(b) Take into account the changes in respect of eligible persons for the full period from 1 January to 31 December when making the necessary estimation for its decision on a roll forward or a full validation of the benefit obligation for after-service health insurance;

(c) Record revenue from exchange transactions in the period in which services were rendered and assess how the enterprise resource planning system could support this accounting approach to ensure an appropriate process and follow-up and complete recovery of revenue from exchange transactions;

(d) Liaise with the United Nations Secretariat to assess the feasibility of a reimbursement process for UNDP resident representatives also serving temporarily as resident coordinators to recover costs;

(e) Further automate preventive controls with respect to assigning staff functions to non-staff and include all minimum control functions that must be held by staff;

(f) Streamline in what detail and how country offices' internal control procedures need to be documented and inform heads of office accordingly;

(g) Explore possibilities for integration of the delegation of authority process, which is currently paper-based, into its enterprise resource planning system;

(h) Ensure that country offices record project-related risks for all of their projects and that risk entries are complete;

(i) Analyse possibilities for implementing a threshold above which regional bureaux review microassessments and assurance activities carried out for individual partners;

(j) Enhance the monitoring of annual leave taken and annual leave balances of its staff to ensure that staff use annual leave for necessary recreation as well as to prevent expiration of annual leave;

(k) Develop an overall strategy to reduce high annual leave balances to an appropriate level within a foreseeable period;

(l) Review the home leave process, including regulations, to clearly determine the obligations of entitled staff, implement an effective reminder with deadlines and consequences and implement an effective recovery process;

(m) Document the provision of evidence, in all applications for salary advances, that the attempt to secure emergency financing from local lending institutions or the United Nations Federal Credit Union was unsuccessful;

(n) Enhance compliance with the policy regarding the frequency of salary advances for emergencies or special conditions;

(o) Enhance its efforts to regularly review its vendor databases so as to exclude ineligible vendors debarred by UNDP itself;

(p) Explore possibilities for robust data input controls and regular data maintenance mechanisms in the new supplier portal which ensure accurate, complete and reliable vendor master data;

(q) Strengthen procurement planning for all projects in the country office in Iraq and consolidate procurement plans in the corporate procurement management platform;

(r) Include the mandatory use of long-term agreements and mandatory specifications for purchases in the UNDP Standards for IT Infrastructure and Services guideline.

E. United Nations Environment Programme

119. Developing a sustainability plan and uploading it into the Programme Information Management System (PIMS) were not common practices in UNEP, as required by the UNEP programme and project management manual. The Board randomly checked the records of 10 projects, with a total planned budget of $65.30 million, in PIMS and noted that no sustainability plans for those projects had been developed and uploaded.

120. The Board noted that the resource mobilization strategy of UNEP had not been carried out in full, owing to insufficient resource input, and that some clauses were unapplicable. There remains a gap between the budget and actual income of the Environment Fund.

121. The Board sampled three corporate-level agreements and noted that two of the programme support cost rates were charged lower than the prescribed ratio of 13 per cent. In addition, there were no justification requests or approval documents regarding the reduction in the programme support cost rates.

122. The Board noted that UNEP had signed 17 new agreements in 2019 and 2020 with four implementing partners who already had outstanding advance payments of $228,782.31 at the end of 2018. Among them, eight newly signed agreements still had outstanding advance payments as of March 2021 owing to a lack of expenditure reports. Of six agreements whose implementation ended before 2020, there were open advances as of March 2021 in three of them.

123. As of 10 November 2020, there were 31 ageing projects in PIMS with a planned budget of $193.11 million, one of whose deadline for completion was more than three years ago. The Board sampled seven ageing projects and found that the staff responsible had sent reminder messages to the project managers to report on the most project status in a timely manner. However, some project managers failed to give feedback or upload the actual status information on the projects in a timely manner,

thus delaying confirmation of the change in project status to "Completed" upon the deadline for completion of the projects.

124. There were 368 projects with a "completed" status in PIMS as at 26 October 2020. The Board noted that, of those projects, the closure procedures of 330 had not been done within 12 months of the project completion date and exceeded the closing deadline by 3 to 223 months. The Board also found that the dates of completion of 26 of the 368 projects were not recorded.

125. As at 31 December 2020, there were 259 GEF projects under implementation. The Board noted that 46 of them, with a total budget of $71.46 million, exceeded the planned implementation end dates. Moreover, 11 of those 46 projects had been overdue for completion for more than one year.

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

(a) Develop sustainability plans with concrete and trackable measures for all its projects, pursuant to the UNEP programme and project management manual;

(b) (i) Adjust its funding strategy, on the basis of the review of the past funding situation, delete unrealistic clauses and make it applicable;

(ii) Improve the mechanism to ensure the implementation of the fundraising strategy, including necessary resource input and regular monitoring;

(c) Review future agreements whenever an exception to the standard programme support cost rate is requested by the donor and forward the agreements, with appropriate justification and conditions, to the Controller for approval in order to ensure transparency;

(d) Establish an internal mechanism to flag, report on and communicate where long-outstanding advance balances exist to ensure transparency before a new agreement with the same implementing partner is signed;

(e) Strengthen the training of project managers and set up a regular review mechanism by promptly reminding the project managers to attend to the project status and upload relevant information into PIMS in a timely manner;

(f) Accelerate the clean-up of legacy matters and complete the closure procedures for delayed projects as soon as possible;

(g) Actively explore feasible alternative measures to monitor the timeliness of GEF project implementation and the extension of projects, if required.

F. United Nations Population Fund

127. Owing to untimely monitoring of the assurance activities, UNFPA had to review its planned activities and introduce changes while the plan was being rolled out. Those changes, made between June and October 2020, were included as a result of the inaccurate and inefficient selection of an implementing partner subject to the assurance activities. Furthermore, there were implementing partners that did not yet have assurance activities planned for 2020, whose current monitoring amounts were above the established thresholds for mandatory spot checks or audits. Finally, the Board noticed that there were cases in which implementing partner risk ratings had not been accurately reflected in the implementing partner assurance system owing to user errors when uploading reports. These risk levels are one of the criteria for building the assurance activities plan.

128. The Board reviewed the global list of supplies delivered to the implementing partners between January and October 2020. As a result of the analysis, the Board noticed that there were cases in which the shipment tracker had been updated with a delay of one to eight months from the handover of supplies to the implementing partners. In other cases, the shipment tracker was updated with a delay of 1 to 29 days from the handover of supplies to the implementing partners. There were also cases in which the shipment tracker had been updated with a delay of 15 to 29 days from the handover of the supplies to the implementing partners.

129. The Board found that the evaluation of long-term agreements was delayed for more than a year and that the Procurement Services Branch had consolidated the evaluations for 2018 and 2019 into a single report, containing 11 cases. Therefore, performance feedback was not given to the suppliers on an annual basis. In addition, 12 long-term agreements evaluation reports for 2018 and 2019 were signed in October and November 2020 by the supplier and UNFPA. Consequently, feedback on the reports was not delivered to the suppliers in a timely manner. Furthermore, the long-term agreements evaluation reports provided were focused on the core commodities centrally procured by the Procurement Services Branch, and therefore the process did not involve long-term agreements related to other categories, such as vehicles or ICT.

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

(a) Strengthen its assurance activities monitoring procedures at all governance levels (global, regional and country), with the purpose of having a process that gives an accurate overview of the implementing partners subject to well-timed spot checks and/or audits;

(b) Update the implementing partners' risk ratings in the implementing partner assurance system in a timely and accurate manner, in order to have precise planned assurance activities;

(c) Incorporate automatic controls into the new enterprise resource planning system, with the aim of determining the implementing partners subject to mandatory assurance activities in a timely and accurate manner;

(d) Provide effective training to the third-party auditors on the use of the implementing partner assurance system;

(e) Improve its supply monitoring process at the regional and country governance levels, with the purpose of detecting business units that require support for maintaining timely and accurate information about the entity's supplies and the delivery of inventory to implementing partners;

(f) Incorporate preventive controls related to inventory information into the new enterprise resource planning system, in order to provide early alerts at each stage of the supply process;

(g) Strengthen monitoring and internal controls to ensure the timely and accurate submission of all long-term agreement evaluation reports to suppliers;

(h) Increase gradually the scope of the long-term agreement evaluation reports to all UNFPA business units, in order to have a wider overview of the use of such agreements in areas beyond core commodities.

G. United Nations Human Settlements Programme

131. The Board noticed that 13 grants with a total advance transfer ending balance of $0.26 million, accounting for 1.15 per cent of the advance transfers, had not been financially closed within 90 days from the donor agreement end date, with the

overdue time ranging from 52 days to 1,220 days. The Board further detected that 28 closing grants had open items in accounts payable for more than one year as at 31 December 2020, for a total amount of $0.23 million.

132. The Board also reviewed the financial closure status of projects managed by the Regional Office for Africa and noted that, as at 9 November 2020, 29 out of 46 operationally closed grants had not been financially closed within the prescribed 12 months, and 13 of 29 grants had not yet finished the clearance of open commitments.

133. The progress reports for the first three quarters of 2020, requested by the Board, were not provided by UN-Habitat. The Board is concerned that the lack of quarterly progress reports will not only hinder programme monitoring and results delivery but also undermine programmatic decision-making.

134. The Board reviewed a sample of 10 projects approved and managed by the Regional Office for Africa between 2018 and 2019 in the Project Accrual and Accountability System and noted that 5 of the 10 projects had been approved by the Project Advisory Group after the signing of funding agreements, and 1 had been exempted from Project Advisory Group approval after its funding agreement had been signed.

135. The Board also reviewed 13 projects managed by the Egypt country office and noted that the funding agreement of three projects, totalling $1.86 million, had been signed before the approval from the Project Advisory Group for periods ranging from 15 days to 130 days.

136. The Board reviewed two agreements of cooperation that UN-Habitat signed with two provinces on 5 October 2020 and noted that 23 small-scale water infrastructure projects completed before November 2019 were still taken as expected milestones (2020–2021) in the two agreements of cooperation.

137. The Board reviewed the budget performance of subprogrammes as at 31 December 2020 and noted that the decrease from the original budget to actual budget allotment for two subprogrammes of its strategic plan for the period 2020–2023 was dramatic.

138. The recommendations from the Headquarters Committee on Contracts, the Assistant Secretary-General for the Office of Central Support Services and the Assistant Secretary-General for Supply Chain Management were not fully implemented, and the ex post facto extensions or increase in the not-to-exceed amount happened repeatedly in implementing two contracts in Afghanistan.

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

(a) Clear open items and open commitments of operationally closed grants and ensure a timely financial closure, in order to enhance the financial effectiveness of the organization and the accuracy of the financial statements;

(b) Prepare the quarterly progress reports as required in the strategic plan for the period 2020–2023, to provide comprehensive information for decision-making and future planning;

(c) Comply strictly with the UN-Habitat project-based management policy to ensure that substantive and financial aspects of project documents are reviewed and approved by the Project Advisory Group prior to the signing of funding agreements;

(d) Improve the design of agreements of cooperation funded by different grants but with similar outputs, to avoid duplicated efforts;

(e) Keep close communications with donors so as to mobilize resources actively to achieve the expected results listed in the proposed budget;

(f) Avoid the ex post facto situation prior to the signing of new contracts.

H. United Nations Children's Fund

140. The Board noted grants recorded in VISION (the enterprise resource planning system used by UNICEF) after the cash had been received. There were also, among others, cases in which the agreement was signed in 2019 and cash was received in the same year, even though the grant was created in 2020, and a case in which corrections in VISION for a fund allocated to a different country office had taken several months to implement.

141. The Board reviewed a sample of 61 implementing partners that reported $82.99 million in expenses for 2020. In the sample, high-risk implementing partners with expenses above $50,000 were considered. The Board noted that 28 of the 61 implementing partners had an average delay of 340 days in executing assurance activities since the expenses were posted. Likewise, for 17 of the 28 cases observed, financial assurance had been postponed until 2021.

142. The Board reviewed the action points module, in particular the action points from the country offices of the West and Central Africa Regional Office. There were 290 high-priority action points, from 2016 to 2020, resulting from the financial assurance module on eTools that had not been fulfilled as at 31 December 2020. In addition, 61 per cent of them, representing 178 action points, were overdue by more than six months.

143. The Board performed a revision of the annual forecasting process coordinated by the Supply Division and country and/or regional offices as at 31 December 2020. The forecasting of vaccines for 96 countries, immunization devices for 80 countries, ready-to-use therapeutic food for 81 countries and long-lasting insecticidal nets for 32 countries were analysed, and significant variations were detected between forecasts and deliveries.

144. The Board observed that UNICEF had not developed a dedicated regulatory framework for level 1 emergencies to provide organization-wide guidance on their formal activation and deactivation mechanism. In addition, the Board noted that UNICEF did not have consolidated, up-to-date information concerning current and historical level 1 emergencies.

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

(a) Update its policy on revenue recognition with regard to accounting for joint programmes and define the point at which it controls the non-exchange assets related to trust fund or joint programme arrangements;

(b) Disclose the agreements for joint programming in which asset recognition criteria have not been met as contingent assets in the financial statements;

(c) Develop a solution to track the submission of signed agreements and enhance the monitoring of their timely registration;

(d) Establish a clear time frame for initiating and finalizing the different assurance activities in order to ensure their timely execution, using as a reference when expenses are posted in the system after the funding authorization and certification of expenditure form has been approved;

(e) Develop a workplan with the aim of ensuring that the expenses reported by implementing partners are reviewed in a timely manner, and that the required financial assurance is completed no later than the first quarter of the following year after the expenses have been reported to UNICEF;

(f) Ensure that the West and Central Africa Regional Office identifies the reasons for delays in the closure of overdue action points resulting from the harmonized approach to cash transfer financial assurance activities and takes corrective action, along with the country offices, in order to ensure the closure in 2021 of the 290 high-priority open items identified;

(g) Ensure that the West and Central Africa Regional Office takes preventive measures in order to ensure that the high-priority action points that are related to implementing partnership management are closed within a year of its creation;

(h) Ensure that the Division of Data, Analytics, Planning and Monitoring, together with regional offices, develop a methodology for the efficient oversight of high-priority findings emerging from the harmonized approach to the closure of cash transfer framework assurance activities and enhance the eTools platform in order to support effective closure of overdue action points by country offices;

(i) Ensure that the Supply Division strengthens, in coordination with country and regional offices, the forecasting procedure and considers adjusting the forecasts in a timely manner in order to reflect the significant variances that may occur;

(j) Ensure that the headquarters office in New York formalizes the new emergency procedures, which must include regulations for level 1 emergencies, in order to strengthen the governance of the emergency system, providing clear orientation on activation steps, criteria for deactivation, responsibilities, accountability and decision-making;

(k) Establish a formal repository or list with level 1 emergencies in order to facilitate access to information on those emergencies for all levels at UNICEF.

I. United Nations Institute for Training and Research

146. The Board found deficiencies in the “tracking tool review” system, which is used for reviewing financial and non-financial agreements. The absence of a unique search identifier hampered the Board in finding the agreements in the tracking tool review. Additions and/or modifications made by the manager to the draft agreements in accordance with the recommendations made by the Finance and Budget Unit and the Partnership and Resource Mobilization Unit could not be viewed in the tracking tool review; nor was it possible to identify the final version of any of the agreements in the tracking tool review.

147. During the visit, the Board noted that the results framework contained in the UNITAR programme budget included no means of verification for its indicators and targets. The Board also noted that several elements of the results-based management causal chain were not applied in accordance with the definitions in the annual workplans of all units of UNITAR divisions. In addition, the Board noted that most of the annual workplans did not include timeliness for results delivery or a designated staff member responsible for results delivery.

148. The Board noted that UNITAR policy guidelines for agreements on the acceptance of contributions for specific purposes (“grants-in”) contained the formal requirements that should be followed for approving no-cost amendments to project agreements. However, those formal requirements were not followed by the Institute in four cases, where the amendments had been approved only by email.

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

(a) Assign and use a unique identification number for each project in all its management systems to ensure traceability in all the tools and/or documents used at the Institute;

(b) Maintain a version history for the agreement documents in the tracking tool review, to ensure the tracking of changes and/or modifications that have been made during the review process by the partnership and resource mobilization unit, the Finance and Budget Unit and programme manager;

(c) Identify means of verification for the programme budget indicators and targets;

(d) Take measures to ensure that those elements of the results-based management causal chain included in their workplans are adequately applied by every programme unit in accordance with the provisions of the UNITAR results-based management framework;

(e) Disclose the timeliness for and the personnel in charge of delivering the outputs and activities specified in the annual workplans of its units and offices;

(f) Comply with the requirements of the policy guidelines for agreements on the acceptance of contributions for specific purposes ("grants-in") with regard to the formalization of project amendments.

J. Office of the United Nations High Commissioner for Refugees

150. The COVID-19 pandemic represents an unprecedented worldwide health crisis that has also led to a protection crisis with regard to persons of concern to UNHCR. UNHCR declared a level-2 emergency to respond to the pandemic and appealed for extra funding in the amount of $0.75 billion.

151. In addition to carrying out other activities, UNHCR identified an increased need for hygiene and certain medical items, in particular, personal protective equipment. The Board found that needs assessment, receipt and distribution of the items were not aligned in most of the cases reviewed. The Board noted that the country operations did not make use of distribution plans and, in most of the cases reviewed, could not provide an overview of the items distributed, planned for distribution and available on stock.

152. Building on the audit performed in 2020, the Board found that the review of the framework of roles, accountabilities and authorities was still continuing. UNHCR identified a need to revisit the three-lines-of-defence model. The Board noted that a draft road map to steer the decentralization and regionalization process was in principle endorsed, but that the due dates and steps had not been achieved as indicated and that the main task of the alignment of headquarters divisions had not yet been included in the road map.

153. For more than 10 years, pillars have formed the highest level of the UNHCR comprehensive results-based budget and accounting structure. The pillars are defined in the financial rules of UNHCR. Pillar 1 represents the Global Refugee Programme, pillar 2 represents the Global Stateless Programme, pillar 3 represents Global Reintegration Projects and pillar 4 represents Global Internally Displaced Persons Projects.

154. In connection with the results-based management reform project, UNHCR proposed the replacement of the pillar structure with impact areas. The Executive Committee acknowledged the replacement, endorsed a revision of the financial rules with effect from 1 January 2022 and requested the High Commissioner to ensure the quality of the budgetary information. The Board shares the concerns raised by the

governing bodies that the amendment of the budgetary structure and the financial rules requires assurance that the proposed new impact areas fulfil the requirements of transparency and quality, in particular in the financial reporting.

155. As part of its internal control system, UNHCR established an expense variance analysis of the country operations grouped under the seven regional bureaux. The Board found that the granular information on some 130 country operations was of limited assistance for analysing the overall UNHCR account balances. The Board holds that the variance analysis could be further enhanced by including benchmarks and by analysing the accumulated financial information at the headquarters level.

156. The Board found that significant amounts of receivables from disbursement agreements with UNOPS were carried forward as open items over periods of more than one year. Country operations did not pursue refund claims or closure of the items. The Board noted that current UNHCR processes led to uneconomical amounts of pre-financing.

157. The Board reviewed the data quality checks that country operations had conducted prior to the transmission of cash payment lists to financial service providers. The Board observed shortcomings in the documentation of the data quality checks. The Board holds that UNHCR should use unique identifiers for all households supported and should enhance the documentation of such checks.

158. The Board identified a need for improvement in end-to-end data management in the UNHCR cash assistance management system (CashAssist). The problems related mainly to a lack of integrated processing of cash payment lists transmitted to the financial service provider through an application programming interface. The Board found that the financial service provider communicated a failed payment status for successfully processed transactions, which resulted in duplicate and triplicate payment trials.

159. The Board found shortcomings in the applicable guidance for the determination of cash transfer values. Country operations paid lump-sum amounts to the receiving households, which led to inequities, depending on family size. The guidance did not cover UNHCR organizational specifics, nor did it define responsibilities for the cash transfer value determination in the country operations. The Board found that the regional bureaux could play a role in disseminating and supporting the market price information and analysis of country operations in their region.

160. The Board noted a lack of consolidated, comprehensive guidance material on implementing partnership management processes. At the time of the audit, the partnership-related instructions were spread over several documents. The Board holds that a consolidated set of guidance material, in which existing regulations on partnership management across multiple years are summarized in one place and in a condensed manner, would make the processes more transparent and would simplify everyday operations.

161. Partner personnel constitute a significant part of overall implementing partner expenses, and the inherent risks need to be mitigated appropriately. The Board found that the new results-based management processes require a revision of the UNHCR personnel monitoring and reporting mechanisms, which would provide an opportunity to embed the enhanced tools in the upcoming guidance material.

162. Effective workforce management is the counterpart to financial planning and should ensure the cost-effective use of personnel. The Board reviewed UNHCR efforts related to workforce planning and identified critical areas that UNHCR needs to strengthen in the future.

163. The Board found shortcomings in the applicability of the functionality of the newly developed UNHCR workforce planning dashboards for human resources planning. The Board holds that the functionalities of the dashboards do not fully comply with the need of all the operations involved. For example, key indicators for benchmark purposes, used to assess whether operations are adequately staffed compared with other operations, are missing.

164. The Board noted that UNHCR has not yet issued a strategic workforce planning framework, in which the UNHCR strategical approach to planning its workforce would be outlined. In the Board's opinion, a workforce planning strategy is essential for an organization to formalize and standardize a systematic workforce planning process.

165. The Board identified that country operations did not conduct any analysis to evaluate the workforce supply and the future workforce demand. The Board considers it crucial that country operations conduct such analysis in order to understand how many people it takes to accomplish the work. The Board holds that UNHCR should provide broader guidance on conducting supply and demand analyses to its country operations.

166. In order to enhance vehicle efficiency and operability, global fleet management introduced data capture tools, as well as structured methods of data monitoring and analysis. The recorded data is the basis to determine the vehicle sizes that are appropriate for the operations requirements. Hence, the analysis of operating data is aimed at identifying vehicles that are ready for disposal or replacement, as well as additional vehicles required. To achieve the appropriate implementation of measures derived from the data analysis, the data must be captured completely and of sufficient quality.

167. The Board identified overall poor quality of data or missing entries in a significant number of fleet management data sets. Therefore, the Board holds that UNHCR should improve the recording of data and needs to optimize tools for data capture. The new fleet strategy 2021–2025 must include clearly defined progress levels with regard to the quality and quantity of operational data.

168. Under the business transformation programme, UNHCR began to explore and introduce new ways of working with modern tools such as cloud technology to support back-office processes. The business transformation programme is part of a larger UNHCR transformation strategy and has a multi-year time horizon.

169. The Board found that the budget of the programme increased by some 14 per cent, from about $82 million to $95 million, in the first quarter of 2021. The Board noted the complexity of the programme in view of a best-of-breed solution, as well as the involvement of numerous external providers, which needs to be coordinated. The Board holds that the upcoming planning and implementation phases of the programme should be focused on a coordinated overview of the programme budget.

170. The Board noted that risks related to the business transformation programme were not sufficiently considered in the operational and strategic risk registers. The Board found that the risks should be analysed, assessed and considered more thoroughly.

171. The main recommendations are that UNHCR:

(a) Further improve the concerted support that headquarters and regional bureaux provide to country operations with respect to the needs-based procurement and distribution of inventory items during emergency situations such as the COVID-19 pandemic;

(b) Prioritize the redefinition and alignment of roles and responsibilities at the regional bureaux and at headquarters entities and ensure that the roles of the redefined structures are reflected in the regulatory framework, as applicable;

(c) Continue to review the impact of the changes to its budgetary structure on management efficiencies, analyse the benefits of the changes proposed and provide assurance that the proposed budgetary structure meets the requirements of transparency and quality;

(d) Perform an organizational variance analysis at the aggregate financial statement level for both the statement of financial performance and the statement of financial position, complemented by inputs from the regional bureaux and relevant benchmarks for identified significant variances;

(e) Design its new enterprise resource planning and finance and supply chain management systems to simplify the recording of UNOPS transactions, to facilitate timely open item reconciliations and to minimize the need for significant pre-financing of UNOPS agreements;

(f) Use unique identifiers in the payment lists and improve the quality control of the underlying data of persons of concern to enhance the clarity of the lists and to avoid duplication;

(g) Develop a technical support solution to improve connectivity between financial service providers and CashAssist and to ensure that significant systematic errors in the application programming interface for CashAssist can be detected earlier and fixed more easily;

(h) Issue guidelines for the calculation of cash transfer values that give operations the flexibility to define the best approach for calculating the transfer values on the basis of their operational context, with the involvement of the regional bureaux;

(i) Consolidate and complement the guidance material on the implementing partnership management processes in one comprehensive repository, which should include clear approval responsibility at the regional bureaux for granting extensions of implementation/liquidation periods;

(j) Provide enhanced instructions and training to programme and project control staff on the mitigation of partner personnel-related financial risks in the upcoming comprehensive guidance material;

(k) Further improve the use of enhanced data analytics for additional dashboard reports and data analytics and define key indicators to assess whether operations are adequately staffed compared with other operations;

(l) Establish a workforce planning strategy laid down in a comprehensive workforce planning framework to improve such planning as a matter of priority;

(m) Encourage country operations to conduct supply and demand analysis and to develop staffing review toolkits to support operations in reviewing their staffing needs;

(n) Take measures to ensure that operations perform regular verifications of FleetWave data with regard to the quantity and quality of data entries, identify the reasons for deviations and correct erroneous data;

(o) Optimize the FleetWave tool to avoid faulty data recording and to enhance usability;

(p) Focus on the coordinated oversight and monitoring of the business transformation programme budget and on controlling costs during the upcoming planning and implementation phases;

(q) Carry out a comprehensive risk assessment of financial and technical risks for the entire business transformation programme and include those risks in the strategic risk register.

K. United Nations Joint Staff Pension Fund

172. The Board examined the five Microsoft Excel files that comprised the census data used by the Consulting Actuary to determine the actuarial valuation, identifying several inconsistencies or gaps in the data on active participants, the pensionable remuneration rates for active participants, the separations processed, the active beneficiaries and the terminated periodic benefits. In this context, it was observed that there were participants who had more than two records in the identifier field, records that had the same date of birth for different children, records showing that the number of children for each participant may be erroneously registered, records of deceased participants that had no date of death, records of deceased participants with null values, records with null values on the last contribution date for active and non-deceased persons and records that contained null values in the information on the pensionable remuneration rates, among other data inconsistencies.

173. The Board observed that to validate the reasonableness of the headcounts, a review of the census data is performed by the Fund using the queries run by the Data Analysis and Legal Services Section. After consultations with the Fund, it was verified that this validation was time-consuming for the entity, especially when it required the merging of multiple data sets. When the process was modified even slightly, it took a very long time to see the updated result. In addition, the process was not aimed at detecting every inconsistency in the data. With regard to the audit process conducted by the Financial Services on the census data, it was verified that during the reconciliation process for the census data, a new column was added during the query process to identify the status of each member. In turn, it was observed that the procedure included a reconciliation between opening and closing balances, and it was noted that exceptions were adjusted during the reconciliation to the year-end headcounts, a practice that the Board has noticed for the past three audit periods.

174. The Board observed that the census data for the valuation of the after-service health insurance of the Fund was extracted from Umoja by the Health and Life Insurance Section of the Secretariat. Moreover, it was observed that the census data provided by the United Nations included the details of the active participants and retirees of the Fund with a cut-off date of 31 October 2019 for their review. In this regard, the Fund pointed out that the data was reviewed to verify its reasonableness by taking into account communications with the Health and Life Insurance Section. Nevertheless, the Board could not identify which reviews were carried out by the Fund or which thresholds had been established for any deviation that may have been found.

175. The Board observed that the ComplySci system included an automatic process for the pre-clearance of personal trading; however, the system did not have the configuration to validate whether a staff member bought and sold the same security within 60 calendar days of the initial purchase (the mandatory holding period) or whether a staff member conducted more than 10 trades per month, since that part of the process continued to be carried out manually and the system did not issue notifications to alert the compliance team of those issues. It was also detected that the current system configuration was enabled for the trade module only; therefore, the broker feeds for automatic transmission of brokerage statements (the broker account module), outside activities and gifts and hospitality were outside of the scope of initial implementation.

176. The Board noticed that the reputational risk policy and framework did not establish in detail on how a staff member of the Office of Investment Management should proceed in practice when a reputational risk event arose and which mechanisms and criteria should be weighed when taking action on a reputational risk issue before such a risk materialized. It was observed that, in 2020, the Office renewed the contract of an external manager, which in October 2019 had presented a situation of reputational risk. Moreover, there was no clear procedure for or evidence of how the Office measured the reputational risk of the vendors, external managers, advisers and other third parties on an ongoing basis, nor which tools or systems were used for monitoring those issues or which criteria should be weighed when taking action on a reputational risk issue before such a risk materialized. In addition, while the Office implemented the “RepRisk” tool to identify the reputational risk issues in companies in which the Fund invested, the Office did not have a clear procedure that defined how it used the information provided by the tool and what decisions it had made after considering that information.

177. The Board noted that there was no standardization regarding the requirements established for external managers on reporting, in accordance with annex B to their contracts, to the Office of Investment Management. Furthermore, the Office did not provide evidence that it carried out the monthly performance reviews to external managers during 2020, as required by the external manager policy. Moreover, two contracts with external managers had to be extended because the Office had not completed the search for an external manager for small capitalization investments in the United States of America and Europe. Finally, it was noticed that there was no clear procedure that defined the steps of the due diligence process carried out on external managers.

178. The Board recommends that the Pension Administration:

(a) Design, develop and implement a control mechanism that establishes periodic reviews of the data quality, in conjunction with the member organizations and beneficiaries of the Fund, if necessary, with the purpose of maintaining the data and preventing potential inconsistencies in the information recorded in the Integrated Pension Administration System and ensuring the reliability of the information provided to users;

(b) Perform an analysis to define the circumstances in which the inconsistencies in the key data used for the actuarial valuation become material and to define tolerance thresholds in order to make the criteria used transparent for future reviews;

(c) Carry out a review of the status of the participants and beneficiaries, considering the eventual effects of the COVID-19 pandemic situation, in advance of the actuarial valuation as at 31 December 2021;

(d) Develop or implement a tool aligned with the best standards and practices of the industry on data analytics issues that simplifies the reconciliation process for census data and allows for the optimization of the whole process, guaranteeing the reliability of the validation process for both the Data Analysis and Legal Services Section and the Financial Services;

(e) Develop and implement an official procedure that specifies the review by the Fund and the United Nations of the after-service health insurance census data and includes the validations and/or controls, the tolerable thresholds for any deviation, the responsible officials and the deadlines associated with the review, as well as details of the communications that will be carried out between the Fund and the United Nations;

(f) Issue an official report with the results of the review and of the adjustments made to the after-service health insurance census data each year, in order to support the reasonableness review performed in the context of the preparation of the financial statements.

179. Furthermore, the Board recommends that the Office of Investment Management:

(a) Include an annotation in the system explaining the reasons for the rejection of pre-clearance requests, such as the 60-day mandatory holding period or the maximum of 10 trades per month;

(b) Enable the broker account module to include the direct broker feeds for the verification of staff members' brokerage accounts to comply adequately with the best practices of the industry and contribute to mitigating the risks related to potential conflicts of interest with the activities of the Fund;

(c) Enable the gift and entertainment module to include the compliance rules to effectively address the gifts, hospitality and outside activities policy to avoid any potential conflicts of interest with the activities of the Fund;

(d) Strengthen the efforts carried out in the area of reputational risk and establish an effective mechanism to ensure that the reputational risk policy and framework integrate all activities that may cause reputational risk issues within the scope of the Office;

(e) Establish a procedure that defines the criteria that should be weighed when a reputational risk event arises so that the Office's staff members can take the necessary measures before the reputational risk materializes;

(f) Keep a permanent and updated record of the reputational risks assessed during the year, with the respective action taken in that regard, for all activities within the scope of the Office's management (including vendors, external managers, advisers and other third parties);

(g) Strengthen its commitments with regard to the international standards on reputational risk and define a mechanism and procedure that allows for the reputational risk perspective to be incorporated into the investment decision-making process in accordance with the international standards;

(h) Establish a roster of candidates from a manager search to ensure that contracts are not extended for the sole reason of not having candidates available;

(i) Define the reports that will be requested in the contracts for external managers for small capitalization investments and align monitoring activities with the external manager policy, thus allowing the Office to conduct more effective and timely reviews;

(j) Strengthen and evaluate its current control mechanisms to ensure the comprehensive and effective monitoring of the management of external managers on an ongoing basis, which allows for the mitigation of potential investment, operational and reputational risks;

(k) Provide details in the external manager policy on the due diligence process that is performed on external managers, including which aspects will be addressed, when and how often it should be performed, which reports and results are generated from the review and who is responsible, among other things.

L. United Nations Office on Drugs and Crime

180. The Board noted, as a trend, that during the years 2018, 2019 and 2020, the UNODC country office in Afghanistan presented "concerning" and "critical" tiers with regard to the full cost recovery barometer developed as a risk management tool

to provide senior management with regular updates on programme delivery, funding prospects and cost structures in place, holding the highest full cost recovery rate among the UNODC field offices during November 2020.

181. The Board reviewed the risk assessment for UNODC, in place for the financial year 2020, and identified that neither a comprehensive risk treatment nor a response plan were in place regarding ethical behaviour, information resources and information technology, legal, regulatory, accounting and reporting issues. In addition, the treatment of risks of fraud in fraudulent financial and non-financial reporting, corruption, misappropriation of intangible assets and other illegal acts could not be identified. The last update to the risk register was made in 2019, and in 2020 no emerging risks were properly reflected, such as those related to the COVID-19 pandemic.

182. The Board noted that the guidance note, which governs the field network structure of UNODC, was outdated and did not properly reflect the major changes in the past eight years. For instance, neither descriptions nor further details for the liaison offices and liaison and partnership offices were included in the note, nor was geographical coverage presented to reflect the changes over the years for most of the regional offices.

183. The Board assessed the compliance with the evaluation policy of all projects and programmes carried out in UNODC to date and noted that 20 out of 57 ongoing projects ending on 31 December 2020 had not been evaluated within the stipulated deadlines.

184. The Board reviewed the completion of the information security awareness course, after the report of the UNODC Information Technology Service, which showed an increasing number of reported incidents of spam, phishing and social engineering. The Board noted as well that 99 out of a total of 703 staff members had not completed the mandatory course within three months of their entry into service.

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

(a) Together with the UNODC country office in Afghanistan, continue to take the measures related to the critical full cost recovery tier faced by the country office and manage the actions tending to approach a desirable or manageable full cost recovery level;

(b) Carry out a risk assessment in the strategic, governance, compliance, operations and financial pillars, as included in the Secretariat’s risk universe, and update the risk register and the risk response and treatment plan accordingly;

(c) Update the risk areas and/or categories on the risk register and risk profile as a product of the consideration of new emerging risks;

(d) Define, through a formal document and in a comprehensive way, the form, duties, responsibilities, expected results and geographical coverage for its field network structure;

(e) Carry out the mandatory evaluations as required under the current evaluation policy, especially with those projects with no evaluation performed during their life cycle;

(f) Assess whether current deadlines for the programme and/or project evaluations remain applicable, in order to build this process more realistically and achievably within the life cycle of the programmes and/or projects. If not, the evaluation policy should be updated and aligned with the specific needs of UNODC;

(g) Make the necessary efforts to ensure the completion of the mandatory information security awareness course by its staff members;

(h) Remind its staff members of the mandatory courses and their duty to comply with that requirement on a regular basis.

M. United Nations University

186. The Board required from UNU the investment portfolio for each exchange traded fund in order to analyse their composition. During the analysis, it was identified that a total of $10.38 million (2.45 per cent) of the exchange traded funds was related to companies associated with tobacco, controversial weapons, and thermal coal and oil sands.

187. In addition, it was observed that the investment management agreement signed by the United Nations on behalf of its subsidiary organ, the UNU Endowment Fund, with an investment management company did not include a customized strategic benchmark for eligible assets to exclude or restrict investing in tobacco and controversial weapons industries.

188. The Board requested from UNU information on the disaster recovery exercise (drill) corresponding to the year 2020. In that regard, the entity indicated that the activity had last been carried out in April 2019. It added that, under normal circumstances, the drill was performed on an annual basis; however, owing to the COVID-19 pandemic, UNU was unable to carry out the 2020 exercise.

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

(a) Revise the investment restrictions in the policy and procedures of the United Nations University Endowment Fund to include the United Nations position on controversial industries;

(b) Make arrangements to incorporate customized strategic benchmarks into its investment management agreements, specifically on the eligible assets, to be aligned with the different United Nations initiatives;

(c) Perform the disaster recovery exercise at least once a year, in alignment with the provisions included in the United Nations Secretariat information and communication technology technical procedure on disaster recovery planning.

N. United Nations Office for Project Services

190. UNOPS established the growth and innovation reserve in November 2019. At the end of 2020, the reserve valued at $124.3 million. However, there was no separate account for the reserve as at 31 March 2021.

191. UNOPS invested all the seven Sustainable Infrastructure Impact Investments initiative (S3I) projects (amounting to $58.8 million) by entering into agreements with seven special-purpose vehicles, all affiliated with a single private holding group. In 2020, UNOPS disinvested from two S3I projects and requested repayments totalling $25.48 million. However, UNOPS had not received the overdue payments by the end of March 2021. The expected credit loss of $22.19 million on aggregate against S3I initiative investments was reflected in its 2020 financial statements. The deficiencies in partnership diversification might further expose S3I initiative investments to risks.

192. UNOPS established the bad debt allowance for two disinvested S3I projects. One was at 100 per cent of the amount accrued in 2020, indicating that the present

value of the future cash flows was expected to be close to zero. For the other project, UNOPS established the bad debt allowance at 50 per cent of the carrying value with an underlying asset in the nature of the power plant. However, no professional appraisal was conducted on the status or fair value of the underlying asset. The policies relating to bad debt allowance could not serve as an adequate basis, as they do not specify the measurement method of the allowance for estimated irrecoverable amounts of S3I initiative investments.

193. Upon renewal of a global agreement, the pricing model would be a reference for the pricing schedule of engagements relating to memorandums of understanding. However, the existing UNOPS policy of reviewing global agreements for financial aspects does not explain specific components such as the services involved and the risks associated with them when considering setting a fee to balance the over-cost and under-cost engagements.

194. The Board reviewed the documents relating to risk assessments and the risk fee increment calculation process in oneUNOPS (the UNOPS enterprise resource planning system) for some engagements and found no justification had been given for the risk fee increment added. Furthermore, the calculation standard for complexity, which had an increment of up to 40 per cent of the minimum fee, was not clear enough.

195. The strategic investments budget in UNOPS budget estimates for the biennium 2020–2021, amounting to $20 million, lacked a basis for budget formulation. Its implementation rate as at 31 December 2020 was 25 per cent, with 36 per cent of the 2020 budget (amounting to $6 million) unallocated. Furthermore, the linkage between the strategic investment activities and the expected impacts, outputs and outcomes was not well articulated.

196. The current process for requesting, revising, issuing and assigning delegations of authority was done manually. Delegation-of-authority records in oneUNOPS did not provide the details such as delegator's and delegatee's names, amount thresholds, scope, supervisor, special instructions or monitoring of segregation of duties. Furthermore, UNOPS used a manual process to review all roles and delegation-of-authority assignments in case of change in contract, position number or duty station.

197. UNOPS deployed the digital tool into the oneUNOPS system for risk management at the operational and organizational levels, and the system was available to all projects. Nevertheless, the risk management at the corporate level was not embedded in oneUNOPS to be unified.

198. The Board recommends that UNOPS:

(a) Set up a separate account for the growth and innovation reserve in due time, develop relevant policies and maintain appropriate compliance, to ensure prudent management of the reserve;

(b) Conduct a thorough risk reassessment of the existing investments and establish mechanisms to measure and control the risk concentration to avoid excessive exposures to any single partner;

(c) Review its policies on bad debt allowance for S3I initiative investments and consider complementing the specific measurement methods of the allowance for estimated irrecoverable amounts;

(d) Strengthen the guidance on evaluating specific components such as the service provided and the associated risk to balance over-cost engagements and under-cost engagements when applying the existing pricing model to memorandums of understanding;

(e) Update guidelines to complement the necessary documentation on justification for the risk increment calculation as part of the management fee and devise an appropriate review mechanism on such justification to provide assurance with respect to the applicability of pricing model during the engagement acceptance process;

(f) Formulate the budget estimate of strategic investments on the basis of expected expenses and link the strategic investments budget with its corresponding outcome and performance indicators;

(g) Take effective measures to integrate complete assignment information on delegations of authority into oneUNOPS and establish automated mechanisms to ensure that transactions are processed within the scope of the delegated authorities;

(h) Assess the feasibility of incorporating corporate risks into oneUNOPS and verify that the risk management operational instruction reflects the strategic direction of UNOPS regarding this subject.

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

199. The Board reviewed the indicators of the monitoring framework in the resource mobilization strategy for the period 2019–2021 and noted that of the 15 targets set for the year 2020, 7 targets (47 per cent) had not been fully achieved at the end of 2020.

200. The Board identified delays in the staff selection process: of the staff posts recruited by UNRWA headquarters in 2020, 9 (56.25 per cent) of 16 international posts had exceeded the target period (120 days), and 13 (68.42 per cent) of 19 area staff posts had exceeded the target period (90 days). At the Jordan field office, the average length of the recruitment period for 29 area staff posts was 196 days, with a maximum period of 358 days. At the Lebanon field office, the average recruitment period for 32 area staff posts was 251 days, and in 30 cases (93.75 per cent) it was more than the target period of 90 days.

201. The Board noted that the compliance rate in performance evaluations was low in the 2019 and 2020 e-performance cycles. For instance, for the 2019 cycle for non-teaching staff, from January to June 2020, the headquarters compliance rate was only 46 per cent, while the rate of three departments was zero; for the 2020 cycle for non-teaching staff, from July to September 2020, the compliance rate in the submission of the mid-cycle performance review was only 12 per cent, and in 9 of the 19 departments was zero.

202. The Board noted that UNRWA headquarters had not prepared a master procurement plan with strategies for the year 2020.

203. The Board reviewed the social safety net programme distribution list and noted that 47 UNRWA staff members (excluding daily paid workers) were enrolled and received services from the programme in 2020. Seven of them were permanent staff from the Gaza field office and the other 40 were fixed-term employees from the Lebanon and Gaza field offices.

204. The Board reviewed two disaster recovery plans of UNRWA and noted that neither had been updated since 2015, while the Department of Information Management and Technology had been restructured twice and the two plans were no longer operational. Except for those two plans, no other disaster recovery test plans were provided.

205. The Board noted that while the gross portfolio was decreasing, as at 31 December 2020, the portfolio at risk stood at 22.14 per cent. A further review over the past four years indicated that the portfolio at risk had increased from 6.70 per cent in 2016 to 7.25 per cent in 2019 against the regional benchmark of 5.85 per cent.

206. The Board has made several recommendations on the basis of its audit. The main recommendations are that UNRWA:

(a) Pay close attention to the key indicators in the resource mobilization strategy monitoring framework and make further efforts to meet the yearly targets set by the Agency;

(b) Develop clear plans and procedures to control the length of the recruitment period in accordance with the international staff personnel directive and area staff personnel directive;

(c) Ensure compliance in performance evaluations for non-teaching and teaching staff members at the headquarters and field office levels, respectively, and link the e-performance system with a reward system to ensure the achievement of the set goals;

(d) Prepare an annual master procurement plan for the major procurement activities;

(e) Take corrective action where appropriate to recover subsidies under the social safety net programme given to staff members, strengthen the verification of refugees' enrolment and exclude those who do not meet the required criteria to ensure that refugees in real need of assistance can be enrolled;

(f) Update the disaster recovery plans to comply with the latest organizational structure and service, and periodically review the disaster recovery plans in order to make them responsive to the continuously evolving information technology environment;

(g) Conduct a thorough eligibility analysis of loan applicants and guarantors and work on decreasing the portfolio at risk.

P. United Nations Entity for Gender Equality and the Empowerment of Women

207. It was noticed that the risk appetite and risk tolerance defined in the UN-Women enterprise risk management framework had not been operationalized or described in the relevant policies. Additionally, it was observed that the entity's definitions of risk appetite and risk tolerance, indicated in its policy, had not been incorporated into its decision-making processes related to its risk mitigation actions. In addition, the Board was not able to identify the tolerance levels used by the risk owner to retain the risk.

208. The Board reviewed the supporting documentation regarding projects of the West and Central Africa Regional Office and of the United Nations trust fund in support of actions to eliminate violence against women at headquarters. The Board could not find the letter of confirmation for the certification of expenditure, which is utilized to confirm and document the methodology review for the expenditure incurred in the liquidation of advances presented by the implementing partners and/or responsible parties and reviewed by the Programme Manager. In addition, the funding authorization and certificate of expenditure forms were not fully updated in accordance with the current policy.

209. The Board reviewed the transactions with implementing partners carried out during the period from January to August 2020 and identified transactions with five partners that obtained qualified opinions in the audits corresponding to the year 2018.

Of those five partners, three had been selected for projects that started after the assurance services firm had issued the respective audit reports.

210. Management decided not to charge any fees for the editing of the narrative report to tier 2 offices. However, this decision is not reflected in the current procedure, which still establishes that tier 2 offices should pay the fee.

211. The Board reviewed the accounting policy and practices of UN-Women regarding the treatment of non-exchange transactions and noticed that there was a need to refine the policy for receivables from non-exchange transactions, specifically those originating in multi-year agreements.

212. The Board recommends that UN-Women:

(a) Structure the risk appetite in a statement that determines the types and quantities of risks, with the purpose of achieving its strategic objectives expressed in quantitative and/or qualitative terms;

(b) Set and incorporate the risk tolerance levels to guide the process of risk assessment, in order to include the risk tolerance at the time of implementation of additional mitigation measures to reduce the risk rating or severity to an acceptable level;

(c) Ensure compliance with the delivery of the letter of confirmation for the certification of expenditure, demonstrating the proper percentages assigned for the documented review of expenditure for liquidation of the partner advance, in accordance with the current policy;

(d) Make the final evaluations to the partners so that their performance is considered in new projects;

(e) Register and share positive or negative results obtained by the partners among UN-Women offices;

(f) Update its procedure for the preparation of donor reports in order to reflect the actual process that should be performed by all offices during the preparation and the quality control of donor reports;

(g) Continue to refine its accounting policies and revise its contribution recognition procedures, specifically multi-year donor agreements, and add receivables and revenue where necessary, establishing an enhanced criterion for decision-making on recognizing non-exchange transactions, in line with IPSAS.

Q. International Residual Mechanism for Criminal Tribunals

213. On 1 January 2015, the Arusha branch of the Mechanism assumed, from the International Criminal Tribunal for Rwanda, responsibility for relocating the persons acquitted and released by the Tribunal. After the Board’s review, it was noticed that the actions carried out by the Mechanism in order to relocate the released and acquitted persons in the short term were not within the framework of a formalized action plan, which would contain periodic activities, the responsible personnel and follow-up and monitoring acts that would allow for the verification of the effective fulfilment of this responsibility.

214. The Board reviewed the budget preparation and presentation for 2020 and the subsequent documents related to the reviews and questions from the Programme Planning and Budget Division of the Secretariat and the Advisory Committee on Administrative and Budgetary Questions, and observed differences between the number of positions that the entity projected in its budget and those currently reported

as occupied in Umoja. Shortcomings regarding the documentation related to the projection of positions were also observed.

215. The Board analysed the working days recorded in the COVID-19 telecommuting report in Umoja from March to August 2020 and observed that, out of a total of 3,227 records, there were 791 in which the working days were not registered on a daily or weekly basis. In addition, the Board noted that there was a total of 20 records in which the working days were recorded two months later, and 2 records were made at once for more than 90 working days. There was one case in which, by November 2020, working days had been recorded from 10 August to 31 December 2020, despite the fact that the telecommuting had not yet been carried out. Finally, out of a total of 556 staff members, 204 did not record any remote working days in Umoja during the COVID-19 telecommuting period.

216. The Board assessed how the forms relating to the acquisition and demand plans for 2020 were prepared by the Mechanism and reviewed the forms prepared by each unit of the branches in Arusha and The Hague. The Board did not obtain evidence of the demand plan forms containing the minutes of the meetings between requisitioners and the procurement officials in order to review and update on a quarterly basis the acquisition plans. In addition, the demand plan forms did not contain the personnel involved in the process of reviewing and approving each one of the forms. It was further noticed that neither the 2020 acquisition plan nor the demand plan for the Mechanism, which had been submitted by the Acting Chief of the Procurement Section at the branch in The Hague to the Global Service Centre on 20 January 2020, had been uploaded to the website of the Procurement Division of the Secretariat, as required in the United Nations Procurement Manual.

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

(a) Streamline its activities for the relocation of the released and acquitted persons, by drafting and approving an action plan including the activities to be performed and their responsible staff and timing, allowing the Mechanism to schedule such activities, monitor their progress and track their effectiveness, thus promoting the effective fulfilment of its objectives;

(b) Strengthen the budget planning process on position matters and determine the subsequent requirements for general temporary assistance positions, by properly recording these requirements and improving the available documentation;

(c) Take measures to improve the compliance of its staff with the policy guidance on alternate working arrangements and flexible working arrangements in the context of the COVID-19 pandemic, in order to reflect the working days of the staff, and keep this information updated in Umoja on a weekly basis;

(d) Document and formalize the planning and preparation of the acquisition plan and demand plan forms, in order to fully comply with the provisions of the United Nations Procurement Manual;

(e) Streamline the process to fill the Chief Procurement Manager position in the short term.

V. Status of implementation of outstanding recommendations

218. In every audit report, the Board analyses various issues during the audit and makes recommendations. In the report of the Advisory Committee on Administrative and Budgetary Questions (A/75/539), the Committee reiterated its request to the Secretary-General and the executive heads of the funds and programmes of the United

Nations to ensure full implementation of the Board's recommendations in a prompt and timely manner.

219. The Board reviewed the status of old recommendations (see table 9) and noted that the overall rate of implementation of the recommendations of the previous year had increased from 41 per cent in 2019 to 48 per cent in 2020.

Table 9
Comparison of the status of previous audit recommendations over the past three years

	Total number of previous audit recommendations as at end of each financial period			*Audit recommendations by status as at end of each financial period*											
				Fully implemented			*Under implementation*			*Not implemented*			*Overtaken by events*		
Entity	*2020*	*2019*	*2018*	*2020*	*2019*	*2018*	*2020*	*2019*	*2018*	*2020*	*2019*	*2018*	*2020*	*2019*	*2018*
United Nations (Vol. I)	279	224	167	96	49	13	150	153	149	2	13	4	31	9	1
United Nations peacekeeping operations	116	103	110	42	24	56	52	59	49	7	14	2	15	6	3
ITC	23	17	17	7	4	8	12	13	9	–	–	–	4	–	–
UNCDF	9	8	9	9	8	8	–	–	1	–	–	–	–	–	–
UNDP	57	51	49	40	29	17	13	20	23	1	–	3	3	2	6
UNEP	84	35	17	35	11	3	47	21	13	1	3	–	1	–	1
UNFPA[a]	33	27	26	26	22	13	6	5	12	–	–	–	1	–	1
UN-Habitat	66	38	20	3	3	4	63	34	14	–	–	2	–	1	–
UNICEF	96	80	66	72	33	34	22	40	32	–	1	–	2	6	–
UNITAR	17	9	10	14	7	8	3	2	2	–	–	–	–	–	–
UNHCR	100	96	67	56	48	35	35	43	32	1	2	–	8	3	–
UNJSPF[a]	44	45	38	30	33	12	13	12	22	–	–	–	1	–	4
UNODC	41	50	65	25	21[b]	27	15	28	38	–	–	–	1	1	–
UNOPS	39	48	51	13	32	31	24	15	19	–	1	–	2	–	1
UNRWA	47	46	54	25	27	32	19	17	20	1	–	2	2	2	–
UNU	37	32	55	31	17	22	4	15	29	–	–	–	2	–	4
UN-Women	17	22	16	9	15	6	6	6	10	–	–	–	2	1	–
IRMCT	29	19	18	8	7	7	12	7	9	9	2	1	–	3	1
Total[a,b]	**1 134**	**950**	**855**	**541**	**390**	**336**	**496**	**490**	**483**	**22**	**36**	**14**	**75**	**34**	**22**
Percentage[a,b]				**48**	**41**	**39**	**44**	**52**	**56**	**2**	**4**	**2**	**6**	**4**	**3**

Source: Audit reports of the Board.

[a] Differences between the figures reported in the concise summary for 2018 (A/74/202) and the same figures for 2018 in the present report are due to a revaluation of recommendations completed in 2018.

[b] Differences between the figures reported in the concise summary for 2019 (A/75/177) and the same figures for 2019 in the present report are due to a revaluation of recommendations completed in 2019. In the concise summary for 2019, the reported figure was 22.

220. Of the 1,134 previous audit recommendations, excluding those that were implemented and those that were overtaken by events, as at 31 December 2020, the 18 entities had accumulated 518 total outstanding recommendations, as shown in table 9 above. The Board noted that 44 per cent of these recommendations had been issued two years earlier or more. In this regard, two entities (United Nations (Vol. I) and UN-Habitat) had more than 35 recommendations that had not been fully implemented for two years or more, whereas three entities (United Nations

peacekeeping operations, UNEP and UNOPS), had more than 10 outstanding recommendations for the same period. Detailed explanations of each recommendation are provided in the individual audit reports of the entities.

221. 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 attributable mainly to the existence of recommendations with long periods of execution.

222. 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.

223. Table 10 shows the percentage of fully implemented recommendations by entity for 2018, 2019 and 2020 based on the figures provided and presented in table 9. For seven entities,[14] the implementation rate was 50 per cent or less. Of those entities, five (United Nations (Vol. I), ITC, UNEP, IRMCT and UN-Habitat) had an implementation rate below 50 per cent over the past three years. UN-Habitat had a very low implementation rate, at just below 5 per cent. The Board noted significant decreases in implementation rates for UNOPS (33 per cent in 2020, as compared with 67 per cent in 2019); UN-Women (53 per cent in 2020, as compared with 68 per cent in 2019); UN-Habitat (5 per cent in 2020, as compared with 8 per cent in 2019); and IRMCT (28 per cent in 2020, as compared with 37 per cent in 2019).

Table 10
Implementation rates of audit recommendations by entity over the past three years

	Total number of audit recommendations as at end of each financial period			*Audit recommendations fully implemented as at end of each financial period*					
				2020		*2019*		*2018*	
Entity	*2020*	*2019*	*2018*	*(number)*	*(percentage)*	*(number)*	*(percentage)*	*(number)*	*(percentage)*
United Nations (Vol. I)	279	224	167	96	34.41	49	21.88	13	7.78
United Nations peacekeeping operations	116	103	110	42	36.21	24	23.30	56	50.91
ITC	23	17	17	7	30.43	4	23.53	8	47.06
UNCDF	9	8	9	9	100.0	8	100.00	8	88.89
UNDP	57	51	49	40	70.18	29	57.00	17	34.69
UNEP	84	35	17	35	41.67	11	31.43	3	17.65
UNFPA	33	27	26	26	78.79	22	81.48	13[a]	50.00
UN-Habitat	66	38	20	3	4.55	3	7.89	4	20.00
UNICEF	96	80	66	72	75.00	33	41.25	34	51.52
UNITAR	17	9	10	14	82.35	7	77.78	8	80.00
UNHCR	100	96	67	56	56.00	48	50.00	35	52.24
UNJSPF	44	45	38	30	68.18	33	73.33	12[b]	31.58
UNODC	41	50	65	25	60.98	21[c]	42.00	27	41.54
UNOPS	39	48	51	13	33.33	32	66.67	31	60.78

[14] United Nations (Vol. I), United Nations peacekeeping operations, ITC, UNEP, UN-Habitat, UNOPS and IRMCT.

	Total number of audit recommendations as at end of each financial period			Audit recommendations fully implemented as at end of each financial period					
				2020		2019		2018	
Entity	*2020*	*2019*	*2018*	*(number)*	*(percentage)*	*(number)*	*(percentage)*	*(number)*	*(percentage)*
UNRWA	47	46	54	25	53.19	27	58.70	32	59.26
UNU	37	32	55	31	83.78	17	53.13	22	40.00
UN-Women	17	22	16	9	52.94	15	68.18	6	37.50
IRMCT	29	19	18	8	27.59	7	36.84	7	38.89
Total number	**1 134**	**950**	**855**	**541**		**390**		**336**	
Overall percentage					**47.71**		**41.05**		**39.30**

Source: Audit reports of the Board.

[a] Differences between the figures reported in the concise summary for 2018 (A/74/202) 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.

[c] Differences between the figures reported in the concise summary for 2019 (A/75/177) and the same figures for 2019 in the present report are due to a revaluation of recommendations completed in 2019. In the concise summary for 2019, the reported figure was 22.

VI. Impacts of the coronavirus disease (COVID-19) pandemic

224. During 2020, the COVID-19 pandemic became a challenge for all United Nations entities in administrative, financial and operational areas with regard to adapting to the requirements of the new circumstances and ensuring the implementation of their mandates.

225. To assess the magnitude of the impacts of the pandemic and the areas most affected, the Board has reviewed, for the 18 entities included in the present report, the following cross-cutting areas: (a) the strategic framework; (b) the Sustainable Development Goals; (c) internal process adjustments; (d) information technology and cybersecurity; (e) financial impacts; (f) programme and project management; and (g) fraud risk assessment.

226. The information pertaining to the present chapter has been collected from the reports of the Board and a questionnaire issued to the entities. An overview of the main results is presented below. The Board has not performed any audit procedures regarding the information provided by the entities and will not express an audit opinion on the matter; however, audit findings from the audit reports concerning the impact of the COVID-19 pandemic are mentioned in the chapter, when appropriate.

A. Strategic framework

227. All the organizations of the United Nations system use strategic plans to define their work within a particular time frame to achieve objectives on the basis of their respective mandates, although they may have different names and use different tools and planning cycles. The planning process is conducted at different layers, and many entities develop their strategic plans for cycles of more than one year, which then are translated into annual operational plans (workplans).

228. All 18 entities declared that they had had strategic plans in place during 2020. For example, UNDP, UNCDF, UNICEF, UNFPA, UNITAR, ITC and UNOPS have had four-year strategic plans in place since 2018 (2018–2021); UNHCR has had a

five-year plan in place since 2017 (2017–2021); UN-Habitat is currently operating with a plan for 2020–2023; and UNU has a five-year strategic plan for 2020–2024; while UNODC and United Nations (Vol. I) work on the basis of annual programme plans, which for 2020 were approved by the General Assembly in December 2019.

229. As a result, 89 per cent of the entities declared that they had not addressed the impact of the COVID-19 pandemic on their 2020 strategic plans because the plans had been prepared and approved before the outbreak of the pandemic. However, with regard to IRMCT, its strategic priorities for the Registry coincided with the start of the pandemic. The strategic priorities explicitly addressed the impact of COVID-19 on the IRMCT workplan and the need for business continuity activities in the context of the pandemic.

230. Given that scenario, some of the entities reported that they had conducted midterm reviews of their strategic plans during 2020, adjusting them to the new circumstances. UNEP, for example, declared that planned deliverables and activities had been adjusted during 2020 to support Member States on issues related to the COVID-19 pandemic. Examples included advocating sustainable COVID-19 recovery by rechannelling fiscal stimulus to climate strategies such as national determined contributions and national adaptation plans. Along the same lines, UNICEF and UNFPA also stated that they had undertaken a midterm review of their strategic plans, thereby enabling them to reflect the initial impact of the pandemic.

231. Concerning compliance with the strategic plans in the context of the COVID-19 pandemic, 72 per cent of the entities declared that the plans had been affected during 2020 owing to the pandemic. Of those, 92 per cent indicated that they had experienced delays in compliance with the plan and that planned activities had thus been achieved, but with a delay; 30 per cent reported the suspension of some aspects of the plan, through which those activities had been postponed to future periods; and 30 per cent declared the cancellation of some parts and/or projects of the plan, meaning that they will not be carried out.

232. For example, the United Nations (Vol. I) specified that the COVID-19 pandemic had had a significant impact on some of the programmatic elements of its annual programme plan. The pandemic slowed progress in the area of policy development because significant resources had to be diverted to supporting the needs of entities in developing and issuing administrative guidance. Along the same lines, United Nations peacekeeping operations indicated that a number of planned activities had had to be redesigned to make use of virtual telecommunications capacities whenever possible because of pandemic-related lockdowns, border closures and travel restrictions; while others had had to be postponed to give precedence to higher-priority COVID-19 responses.

233. Regarding what is expected for the next period, 61 per cent of the entities indicated that they were working on the elaboration of new strategic plans. Meanwhile, 39 per cent were continuing with existing plans on the basis of the view that, as the mandate and the overall scope of service delivery had not changed, the goals and strategic objectives that had been set in the plans remained very relevant, despite the reprioritization and adjustments that had been made to most of the planned deliverables and activities.

234. Lastly, a relevant related topic is risk assessment, the overall process of risk identification, risk analysis and risk evaluation that supports the design of strategic plans and budget allocation. In its resolution 61/245, the General Assembly endorsed the adoption of enterprise risk management in the United Nations system to enhance governance and oversight. The United Nations system organizations are exposed to myriad risks – from fraud and corruption to reputational risks and cybercrime to risks

of a political nature, mismanagement and natural and human-made disasters – while delivering on their mandates.

235. In this regard, 77 per cent of the entities indicated that they had already updated their risk assessment on the basis of the COVID-19 pandemic. An even greater number, 83 per cent, declared that no significant issues had been identified, such as difficulties in applying the risk assessment criteria and acquiring related information under the pandemic.

Conclusions

236. Overall, the entities have been able to continue to develop their functions according to their mandates by adapting their processes to accomplish their objectives, although the COVID-19 pandemic has had an impact on the achievement of the strategic plans of 72 per cent of them and has forced them to adjust the scope of such planning to achieve the results.

B. Sustainable Development Goals

237. The General Assembly, in its resolution 71/243, called upon United Nations funds, programmes and specialized agencies to reflect their contribution to the implementation of the 2030 Agenda for Sustainable Development in their strategic plans and similar planning documents and to elaborate on how they planned to engage in coherent and integrated support, as called for in the 2030 Agenda.

238. Thus, the Board reviewed whether the entities had formulated a long-term strategy on their role in implementing the Sustainable Development Goals in the concise summary for 2016 (A/72/176). It was noted that 7 out of 15 audited entities (47 per cent) had not formulated a strategy. Of these, at present, only IRMCT remains without a long-term strategy, and 94 per cent of the entities declared that they had also included the Goals in their strategic plans.

239. IRMCT explained that, while it did not have a specific strategy for addressing the implementation of the Sustainable Development Goals as such, its work contributed to the achievement of Goal 16. It is worth mentioning that, despite the unified answer given by the United Nations (Vol. I) to the questionnaire regarding United Nations Headquarters, both the United Nations Office at Vienna and the United Nations Office at Geneva had declared that they had neither developed a long-term strategy on their role in implementing the Goals nor included such a strategy in their strategic plans. This, they declared, was based on the view that their strategic plans were already aligned with the Goals through the support that they provided to enable their clients to achieve the Goals. In all, 41 per cent of the entities consulted declared that the COVID-19 pandemic had affected the implementation of their Sustainable Development Goals strategy.

240. Lastly, regarding Goal 16, of peace, justice and strong institutions, 83 per cent of the entities reported that they had adopted special measures to ensure accountability and transparency during the COVID-19 pandemic, in particular by reinforcing controls and communication in the context of remote work. For example, UNODC created two COVID-19 task forces to guide the organization's risk mitigation and response and to ensure accountability to its Member States and donors, launching a donor dashboard to provide up-to-date information on its voluntary contributions.

241. Paragraph 240 highlights the relevance of Sustainable Development Goal 16+, a catalyser that summarizes the interconnection between Goal 16 and other Goals to

fully realize the 2030 Agenda and the critical importance of partnerships to achieve those Goals, especially within the context of the COVID-19 pandemic.

Conclusions

242. Currently, almost all entities affirmed that they had formulated a long-term strategy on their role in implementing the Sustainable Development Goals and that they had incorporated it into their own strategic plans. However, nearly half of them declared that the COVID-19 pandemic had affected the implementation of their Sustainable Development Goals strategy. The Board acknowledges the crucial role of the United Nations entities in supporting and assisting national Governments in achieving specific goals according to their mandates. Hence, further monitoring might be needed regarding the impact of the COVID-19 pandemic in this matter.

C. Internal process adjustments

Guidance, instructions and recommendations

243. The United Nations (Vol. I) pointed out that administrative guidance on various topics regarding the COVID-19 pandemic was issued by the Department of Management Strategy, Policy and Compliance and the Department of Operational Support. Regular global meetings of the Secretariat entities, as well as cross-departmental crisis group meetings, had been held in support of a harmonized response to the COVID-19 crisis since its onset. Regular exchanges with the global human resources community informed the development of a human resources policy, guidance and advice on how to address the COVID-19 situation with regard to a wide range of issues, including but not limited to alternate working arrangements, return to the workplace, onboarding and official travel.

244. Regarding the guidance, instructions or recommendations on COVID-19 mitigation that were issued by United Nations Headquarters, as detailed in paragraph 243, 88 per cent of the entities declared that they had received such guidance, instructions or recommendations from Headquarters. However, the following entities indicated particular situations. UNHCR indicated that guidance, instructions or recommendations for its field operations had been formulated and issued by UNHCR headquarters in Geneva, with due regard to alignment and harmonization with similar guidance issued by the United Nations, where applicable. In the case of UNITAR, guidance, instructions or recommendations had been received through the United Nations Office at Geneva, which had regular meetings with the UNITAR security team in order to provide the necessary advice for managing the pandemic situation at the institution.

245. It is worth mentioning that the United Nations Office at Geneva was hit by the pandemic and lockdowns before United Nations Headquarters. Therefore, the Office started to develop guidance addressing the local situation and challenges. When the situation became global, the Office received several guidance documents from Headquarters.

246. Concerning the entities that received guidance, instructions or recommendations from United Nations Headquarters, all of them confirmed that they had been able to follow them, but that, in some cases, not all guidance, instructions or recommendations could be implemented because of the specific context of the country and/or programme, especially if country offices operated in a complex environment where the COVID-19 pandemic aggravated the situation.

247. Lastly, 94 per cent of the entities declared that they had also developed their own guidance, instructions or recommendations on COVID-19 pandemic mitigation.

Internal control

248. For the year ended 31 December 2020, UNHCR, UNICEF and UNJSPF expressed their commitment to addressing any internal control matters noted during the year and to ensuring the continuous improvement of internal controls, in a statement of internal control along with their financial statements. They stated that they had an effective system of internal control and that there were no material weaknesses in internal controls over financial reporting. On 26 May 2021, the United Nations (Vol. I) issued a statement of internal control that also included UNEP, UN-Habitat, UNODC and IRMCT.

249. In relation to how internal control procedures that required a physical presence on-site (e.g. inventory) were carried out, 78 per cent of the entities declared that most alternative procedures had been implemented, 44 per cent said that they had also performed some procedures as usual and 17 per cent explained that they had not carried out some of the procedures.

250. For example, the United Nations peacekeeping operations specified that there had been some changes to the internal controls for which the emergency procurement process had been activated for procurement cases related to COVID-19. That means that the special procedures related to emergency procurement, including ex post facto presentations to the Headquarters Committee on Contracts for COVID-19-related awards, had been continuing for the past year. A similar situation was described by UNOPS, which had also activated its emergency procurement process for COVID-19-related projects, establishing a global task force formed by procurement, legal and technical experts that had been supporting and providing guidance on those projects since March 2020.

251. UN-Habitat declared that on-site project assessment, including the physical monitoring of implementing partners, had not been possible, and UNDP stated that, in some cases, third parties had been engaged in providing oversight over implementing partners or inspection of project activities. UNHCR indicated that implementing partners had been allowed to extend some projects under certain conditions, that remote audit and monitoring procedures for an increased number of projects were carried out and that asset verifications through alternative means had been performed.

252. The detailed changes and/or reduction in regular significant internal controls because of the COVID-19 pandemic led to some recommendations from the Board. For example, in the case of the United Nations as reported in volume I, it was observed that financial spot checks and field site monitoring had not been conducted. The Board recommended that the Administration carry out project monitoring and financial spot checks in a timely and sustained manner, in line with the Operational Handbook.

253. The above-mentioned situations also resulted in the fact that, for a second year, the Board included an emphasis of matter in the UNFPA report because of the unperformed audits to implementing partners.

Human resources

254. In all, 78 per cent of the entities consulted declared that some personnel-related processes (e.g. recruitment procedures, annual leave, home leave and training) had been affected as a consequence of the COVID-19 pandemic.

255. Specifically regarding annual leave, it was noted that the 60-day annual accrual cap had been raised to 75 days for the cycle 2021–2022 at some of the entities, in accordance with decisions taken by the Office of Human Resources at United Nations

Headquarters. This had had an impact on the management of annual leave by the entities. For example, as detailed in chapter IV, the Board observed that UNDP had already faced high annual leave balances in 2019, experiencing an additional increase of accrued annual leave days in 2020 due mainly to the COVID-19 pandemic and the exception in place. This had been derived from a recommendation to UNDP by the Board to enhance the monitoring of annual leave taken and that of the annual leave balances of its staff to ensure that staff used annual leave for necessary recreation, as well as to prevent the expiration of annual leave. The Board also recommended that UNDP develop an overall strategy to reduce high annual leave balances to an appropriate level in a foreseeable period.

256. Regarding staffing during the COVID-19 pandemic, 41 per cent of the entities declared that they had experienced a reduction in or a lack of personnel. Of those, 86 per cent declared that the lack of personnel was due mainly to medical leave and burnout and, to a lesser extent, because of a different type of consequence of the pandemic, such as the suspension or reduction of projects.

257. UNEP, for example, had specified that the reasons for the reduction in personnel that it had experienced included a combination of medical leave, staff burnout and annual leave in cases where personnel took an extended period of time off to visit family and/or loved ones. In addition, many staff left the Nairobi headquarters during the flexible working arrangements period to stay in countries and/or time zones all over the world, and some had still not returned. In this regard, while personnel are still working remotely, the time difference can be a pandemic-related challenge.

258. UNHCR explained that the impact of the COVID-19 pandemic on its workforce had been significant. The main affected processes related to hiring and reassignment (medical clearances, which in many instances were based on a medical self-assessment of the colleague concerned through response to a medical questionnaire); training events, which were redesigned and changed to online events; and management of annual leave.

259. UNRWA pointed out that a number of staff had been placed on extended sick leave or had passed away due to the COVID-19 pandemic and other causes. The initial stages of the pandemic had been critical, as most staff were not accustomed to working remotely and some staff were working in less than ideal conditions. For example, parents who had their children and spouse at home with them had to find ways of remaining focused and productive. Working remotely was particularly challenging for female colleagues, as some of them had to shoulder family responsibilities and work demands. There was a significant slowdown in recruitment and onboarding of staff due to travel restrictions. Furthermore, personnel were not able to take advantage of their annual leave due to the emergency situation, travel restrictions and a lack of personnel.

260. In the case of IRMCT, the separation of staff to be downsized was delayed in 2020 due to delays in court proceedings, which were themselves COVID-19-induced, and to a minor extent to the inability of staff to travel for repatriation after the conclusion of their service. This was offset in part by some delayed onboarding.

Conclusions

261. Regarding internal process adjustments, the main impacts of the COVID-19 pandemic were observed in the areas of internal control and human resources. Specifically, delays in or a lack of conduct of on-site verifications, problems regarding annual leave management and a lack of personnel as a result of the pandemic could be highlighted as the major consequences.

D. Information technology and cybersecurity

262. Regarding information technology and cybersecurity expenditure, 78 per cent of the entities declared that such expenditure had been affected in 2020 because of the pandemic. For example, regarding cybersecurity, the United Nations (Vol. I) in answering the questionnaire, explained that the Office of Information and Communications Technology had spent $15,000 on additional security capacity in Office 365 (Office 365 Advanced Threat Protection) for senior managers. The COVID-19 pandemic increased the need to support broadcast and videoconference services for hybrid meetings and conferences of intergovernmental and Secretariat bodies at Headquarters and offices away from Headquarters, which also needed multilingual support. As a result, the Secretariat identified requirements for a platform to provide remote simultaneous interpretation in New York, at the United Nations offices at Geneva, Vienna and Nairobi and at the regional commissions in Africa, Asia and the Pacific, Latin America and the Caribbean and Western Asia. As a result, according to the Secretariat, contracts were now in place with three vendors providing platforms for remote interpretation solutions meeting United Nations standards. The additional expenditure for these three platforms in 2020 amounted to $1.5 million for all United Nations duty stations globally after a volume discount was applied.

263. Lastly, a common answer was provided by the entities about the need to procure laptops, mobile phones, subscriber identity module cards, Internet subscriptions and information technology accessories to support teleworking. For example, UNHCR declared that a direct allocation of $1.4 million had been received to fully equip Headquarters users for teleworking. This amount was used to purchase equipment and also to increase videoconferencing capacity and for a virtual private network gateway. Towards the end of the year, an additional cash injection of $15 million was received to replace obsolete information technology equipment in UNHCR operations worldwide (primarily desktop replacement with laptops, but also some servers and network equipment). Along the same lines, ITC indicated that it had moved to a laptops-only policy and to decommissioning desktops at the end of their life cycle and had made investments in additional videoconferencing facilities at Headquarters, including mobile units. Cloud-based videoconferencing solutions, collaboration tools and storage solutions were acquired and made operational. Digital signature solutions were implemented by UNHCR, UNFPA, UN-Women, UNICEF and UNU. UNEP, UN-Habitat and UNFPA declared that they had invested in virtual meeting solutions through the corporate version of Cisco Webex or additional licences of Zoom web conferencing.

264. Regarding cybersecurity, 15 out of 18 of the entities declared that they had adopted special measures. Of those, 60 per cent affirmed that they had only taken preventive measures, 33 per cent stated that they had adopted both preventive and detection measures and 7 per cent stated that they had only taken detection measures.

265. In relation to the implementation of major information technology projects, 56 per cent of the entities declared that they had been affected. Of those, and despite actions such as suspensions, the cancellation and addition of information technology projects had been observed, and the main impact for 90 per cent of the entities was the delay of information technology projects due to the COVID-19 pandemic.

266. Consequently, 83 per cent of the entities stated that there had been an impact on information technology strategy and cybersecurity planning for the next three to five years.

267. For example, according to the United Nations (Vol. I), existing plans to migrate systems to cloud computing environments, strengthen authentication mechanisms and embrace zero trust architecture, under which all devices, users and requests must be

authenticated, had been accelerated. An impact was expected as part of the “next normal” proposal currently being considered by the Secretary-General, which might involve the mainstreaming of flexible working arrangements, including telecommuting. There would be a need to support hybrid working arrangements and remote teleconferencing.

268. On the other hand, ITC, due to increasing cybersecurity threats, was coordinating its response in collaboration with the digital technology network of the United Nations and other organizations and evaluating and upgrading its best practices to secure internally and externally facing information technology assets. Along the same lines, UNDP was investigating how it could further improve the security of end-point devices, such as mobile phones, tablets and/or personal equipment, to ensure secure access to UNDP enterprise data assets.

269. Lastly, it was noted that, based on lessons learned in the pandemic, 71 per cent of the entities had been planning to introduce more telecommuting. The United Nations (Vol. I) and the United Nations peacekeeping operations added that the proposal for the post-COVID-19 “next normal” being considered by the Secretary-General envisioned the mainstreaming of flexible working arrangements, including telecommuting for a number of days per week based on the requirements of the job, personal preference and exigencies of service. During the COVID-19 pandemic, it was observed that telecommuting worked very effectively, so the efficiency and effectiveness of a hybrid arrangement needed to be determined.

Conclusions

270. Two major impacts of the COVID-19 pandemic regarding information technology and cybersecurity were noted. On expenditure, 78 per cent of the entities declared that they had been affected in 2020 owing mainly to the need to procure information technology equipment and accessories to support teleworking. On cybersecurity, 83 per cent of the entities affirmed that they needed to adopt special measures because of the COVID-19 pandemic.

E. Financial impacts

Significant impacts on the main financial indicators

271. Regarding financial impacts, all 18 entities provided additional information on the individual impacts of the COVID-19 pandemic and their related responses. Most of the entities, 89 per cent, decided to disclose the information in the relevant notes to the financial statement on several areas, for example employee benefits, investment revenue, expenses and financial instruments and risk management. Of those entities, four disclosed the financial impact of the COVID-19 pandemic in a separate note to the financial statements. Two entities did not disclose the information in their financial statements, but mentioned it in the financial overview.

272. The Board noted that, excluding UNJSPF because of its particular nature and functioning, 7 out of the 17 entities had not experienced relevant financial impacts, contrary to the trends observed in the past. Regarding the other 10 entities, 90 per cent of them declared significant impacts on expenses, and 70 per cent cited impacts on revenue. A smaller number of them, 40 per cent, declared impacts on investments and on short-term liquidity.

273. As stated by the United Nations (Vol. I), even though the exact amounts of the impacts could not be reliably estimated, as it was not possible to segregate the financial impact of the COVID-19 pandemic, it had experienced an increase in expenses relating to medical evacuation and the enhancement of local capacities

through an inter-agency task force on medical services. Also, additional investments were made in software licences, laptops and upgrades to enterprise networks to support remote work arrangements. On the other hand, there was a reduction in travel expenses because of travel restrictions and the postponement of some planned activities or their replacement by virtual meetings.

274. At the United Nations Headquarters complex, revenue activities were particularly affected by the COVID-19 pandemic owing to low occupancy and closure to visitors. The garage operations, which suspended their fees for several months to support the commute of essential personnel, saw reduced parking usage, losing approximately $400,000 in projected revenues. The closure of the building to visitors resulted in the closure of the gift shop, which led to a reduction in revenue of approximately $600,000. The United Nations Postal Administration was also affected, as its retail venues closed with the closure of United Nations buildings to visitors. At the same time, stamp expositions and other events were cancelled due to the COVID-19 pandemic. It was estimated that the impact of the pandemic on the Administration was approximately $400,000.

275. At United Nations Office at Nairobi, owing to reduced activity, there was a decrease in support work provided by the Office (travel, stores, etc.), resulting in a reduction in revenue.

276. Lastly, assessed collections were likely impacted, as the delayed receipt of funds from Member States was noted. This had a flow-on effect with regard to expenditure and liquidity as well. It may also be noted that the Office of Programme Planning, Finance and Budget began work on a policy to cover COVID-19-related compensation claims.

277. UN-Habitat, UNITAR, UNODC and UNRWA all declared that they had suffered significant impacts on revenue because of the premature termination of projects by donors and/or the reduction of budgets by donors due to changing donor funding priorities because of the COVID-19 pandemic.

278. In relation to savings, 65 per cent of the entities declared that there had been savings from the total budget following the pandemic. According to those entities that had budget appropriation exceeding budget expenditure, this was due mainly to reduction of travel, training, fuel, office supplies and maintenance costs. The 35 per cent that had not experienced savings explained that underexpenditures in some areas, such as travel and consultancies, had been offset by increased requirements in other areas, such as additional information technology equipment and resources.

Voluntary contributions and other funding mechanisms

279. Most of the entities cited no major reductions or delays for agreements in place that could be attributed to COVID-19, and only 4 out of the 18 entities declared that they had experienced reductions in voluntary contributions derived from the COVID-19 pandemic.

280. On 31 March 2020, the Secretary-General of the United Nations launched the COVID-19 response and recovery multi-partner trust fund, established for a period of two years, a United Nations inter-agency finance mechanism to support low- and middle-income programme countries in overcoming the health and development crisis caused by the COVID-19 pandemic.

281. Regarding additional funds, 50 per cent of the entities declared that they had received at least one additional fund because of the COVID-19 pandemic.

282. As explained by the United Nations (Vol. I), under extrabudgetary funding, two major funding mechanisms had provided additional funds for activities related to the

COVID-19 pandemic. First, total revenue of $76.3 million and total expenses of $63.7 million were fully consolidated in the volume I financial statements because of the COVID-19 response and recovery multi-partner trust fund. Second, through existing pooled funds, the Central Emergency Response Fund and country-based pooled funds allocated funds related to COVID-19 pandemic activities of $167 and $157 million, respectively. As explained by the United Nations (Vol. I), some other trust funds were also provided through separate grants; however, the amounts were insignificant compared with the two above-mentioned funding mechanisms.

283. Regarding the results of impairment assessment of assets, 95 per cent of the entities had not identified a special increase in asset impairment due to the impact of the COVID-19 pandemic.

284. The Board noticed that, while the COVID-19 pandemic had had a severe impact on the global financial markets, the investment impacts on the entities would depend on portfolio composition and their risk exposure, among others.

285. Only 28 per cent of the entities stated that the COVID-19 pandemic had triggered changes in the assets composition of their investment portfolio. However, seven entities declared that they had re-evaluated the risk aversion on the exposure of their portfolio. The other entities explained that it was unnecessary to re-evaluate the risk aversion because their investment strategy allowed them to continue with their investment portfolio as before the pandemic.

286. For example, the United Nations (Vol. I), considering its investment portfolio, explained that, as would be expected, credit rating agencies had downgraded or cut the outlook on several firms due to the more difficult operating and economic conditions, the low interest rate environment and concerns over likely deteriorating loan asset quality. The United Nations continued to actively monitor all ratings for the investment holdings and investment counterparties. Constant monitoring also continued for issue, issuer and product concentration limits. In the case of UNJSPF, for example, the evaluation of risk aversion was carried out during the full asset and liability management study, which is conducted every four years. However, the Office of Investment Management requested an independent consultant to review the strategic asset allocation and the benchmarks because of the COVID-19 scenario.

Conclusions

287. It seems that the COVID-19 pandemic did not have a heavy impact on the financial situation of the entities in 2020, although, owing to its inherent risks, it might have an effect on their future liquidity risks that needs to be monitored.

F. Programme and project management

288. Considering the occurrence of reprioritization both from the entities' strategic planning and from the donors' perspective, it was noted that 78 per cent of the entities had redeployed funds to cover COVID-19 pandemic-related demands and/or new programme objectives.

289. For example, the United Nations (Vol. I) specified that limited redeployment of funds had taken place in a few Secretariat entities to address COVID-19-related demands. For example, requests were received from the Member States for timely and disaggregated data to monitor the spread of the COVID-19 pandemic and to inform short-term mitigation and long-term recovery policies to enable national statistical systems to effectively implement innovative data sources, technologies and methods in response to COVID-19 demands for data and information.

290. On the other hand, UNCDF, UNDP and UNEP stated that funds had been redeployed, especially at the country level, to meet COVID-19 pandemic-related needs as a result of dialogues between the donors and the entities.

291. Regarding which existing programmes were most affected by the redeployments, UN-Habitat and UNICEF stated that almost all global programmes and several country programmes had been affected. For example, in the case of UN-Habitat, the Participatory Slum Upgrading Programme and the urban basic services trust fund repurposed activities to target vulnerable communities in informal settlements lacking basic services such as water and sanitation. Also, additional components were added to existing country programmes, including 13 emergency grants to support such programmes in all regions in responding to the pandemic. Examples included Bolivia, Kenya, Lebanon and the Philippines. Lastly, communities of urban practices dedicated staff time to issuing updated normative guidance notes and organizing webinars on the impact of the COVID-19 pandemic on thematic areas, such as urban and territorial planning, public space, urban mobility, informal settlements, housing rights, water and sanitation.

292. Along the same lines, UNICEF stated that global programme guidance had been adapted and new guidance developed to respond to the immediate and socioeconomic impacts of the COVID-19 pandemic. Existing funds had been used to respond to the pandemic, and new funds had been committed to respond to it. UNICEF pointed out that programmes at the country level had been adapted to respond to the pandemic; countries were accountable for delivering their country programmes in partnership with Governments, and most of them had adapted their cooperation to help countries to respond to the pandemic.

293. In the case of UNITAR, the redeployment of funds had happened notably in a peacekeeping training programme, a green climate and chemical waste management programme and, to some extent, a multilateral diplomacy programme. Most of the redeployment had resulted in project funds that were related to travel, as well as face-to-face activities, being redirected towards digital and analogue training and engagement opportunities.

294. Regarding UNRWA, the agency declared that, with the onset of the COVID-19 pandemic across its fields of operation, it had rapidly adapted its emergency and regular operations to ensure the continuity of service provision to Palestine refugees in conditions of safety for refugees and staff. UNRWA had also introduced programmes to mitigate the socioeconomic impact of the crisis on poor refugees.

295. In the case of UNOPS, a project-based organization that predominantly provided management or procurement services to deliver outputs for its partners, $61 million from 17 engagements were reallocated to COVID-19-related activities upon agreement with the funding source. For UNHCR, the total requirements for the COVID-19 pandemic in 2020 amounted to $745 million, of which $404 million was funded through a supplementary appeal and $341 million was redeployed from existing UNHCR resources, reprioritized and reallocated to COVID-19-related activities.

296. Regarding project management, 89 per cent of the entities stated that the COVID-19 pandemic had affected existing projects. Of those, 88 per cent identified as one of the main impacts the delay of existing projects, while 75 per cent identified as another main impact the addition of new projects. Lastly, 31 per cent of the entities declared that they had suffered suspension of existing projects, and 25 per cent stated that they had experienced the cancellation of such projects.

Conclusions

297. Overall, the COVID-19 pandemic affected the United Nations entities' programme and project management by changing priorities. In all, 78 per cent of the entities stated that they had redeployed funds to cover COVID-19 pandemic-related demands and/or new programme objectives, while 89 per cent stated that the pandemic had affected existing projects, due mainly to delays.

G. Fraud risk assessment

298. In 2016, the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat (ST/IC/2016/25) was launched, providing guidance and information to all staff members and other United Nations Secretariat personnel on how the Secretariat acts to prevent, detect, deter, respond to and report on fraud and corruption.

299. In the light of the outbreak of the COVID-19 pandemic, 59 per cent of the entities declared that new risks of fraud and presumptive fraud had arisen. Of those, 41 per cent stated that procurement risks and cybersecurity risks were the main new threats observed, while 29 per cent cited contractor risks and 18 per cent stated that risks related to payments, grants and loans were the main new fraud risks detected.

300. For example, the United Nations Office at Vienna and UNODC explained that an increased amount of cyberattacks, the fraudulent use of spam email addresses and phishing attempts had been observed. Along the same lines, UNDP noted an increasing number of payment-related fraud schemes in the form of business email compromise schemes.

301. On the other hand, UNFPA and UNOPS pointed out that the main risk exposure resulted from the engagement of new vendors for the supply of personal protective equipment. UNFPA added that, for international procurement, risk was mitigated by undertaking joint solicitations with UNICEF and other United Nations agencies, which followed a rigorous due diligence process.

302. Lastly, it was noted that only 59 per cent of the entities had updated their fraud and presumptive fraud risk assessment on the basis of the new risks related to the COVID-19 pandemic situation.

Conclusions

303. The onset of new risks resulting from the COVID-19 pandemic had an important impact on fraud and presumptive fraud. Nearly 60 per cent of the entities declared that those risks had resulted from cyberattacks, hacking and loss of or damage to information technology equipment, as well as from even more harmful threats, such as procurement and contractor risks.

VII. Acknowledgement

304. 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*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors

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

(*Signed*) **Hou** Kai
Auditor General of the People's Republic of China

22 July 2021

Annex I

Entities covered by the report

Organization	*Lead auditor*
United Nations (Vol. I)	China
United Nations peacekeeping operations	Germany
International Trade Centre	China
United Nations Capital Development Fund	Germany
United Nations Development Programme	Germany
United Nations Environment Programme	China
United Nations Population Fund	Chile
United Nations Human Settlements Programme (UN-Habitat)	China
United Nations Children's Fund	Chile
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	China
United Nations Relief and Works Agency for Palestine Refugees in the Near East	China
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 statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements.
"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.