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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 2021

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 2021.

* A/77/150.

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Letters of transmittal

Letter dated 21 July 2022 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 2021.

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

Letter dated 21 July 2022 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-seventh session.

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

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Abbreviations

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

Concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors for the annual financial period 2021

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 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 2021, 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 benefits liabilities, receivables, expenses, budget management and fraud and presumptive fraud. In addition, the Board has included information about the management of implementing partners in eight[2] of the United Nations entities covered in the present report. The Board has compiled the responses received from the entities in the present report, as well as the findings on this matter.

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). 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 2020 and 2021 is presented in table 1. The Board analysed the

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[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] United Nations (Vol. I), UNDP, UNEP, UNHCR, UNFPA, UNOPS, UN-Women and UNICEF.

financial statements of the 17 audited entities[3] and noted that 15 entities[4] closed the financial year with a surplus and 2 entities[5] recorded a deficit. Of the latter two entities, IRMCT recorded a deficit for the third consecutive financial year, while United Nations peacekeeping operations had recorded a surplus the previous year.

7. For United Nations peacekeeping operations, the primary reason for the deficit of $55 million in 2021 was a decrease in assessed contributions of $101 million and an increase in employee allowances, salaries and benefits of $66 million. For IRMCT, the deficit of $4.4 million in 2021, which decreased by $3.6 million compared with the deficit recorded in 2020, was attributable mainly to a provision for credits to Member States of $7.4 million for the unencumbered balance of the 2021 appropriations, which was recorded as a reduction in income.

8. Of the 15 entities that closed the financial year with a surplus, 4 entities had closed the previous financial year with a deficit. The change in the financial performance was a result of increases in voluntary contributions recorded in full up front (ITC, UNCDF and UNITAR) and an increase in contributions from Governments of $320.3 million (UNRWA), due to a resumption of contributions by one of the major donors.

9. In general, the Board noted that 11 entities[6] had improved their position of surplus/deficit, whereas the remaining 6 entities 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	*2021*	*2020*	*2021*	*2020*
United Nations (Vol. I)[a]	870 760	74 537	3 514 969	2 173 834
United Nations peacekeeping operations	(55 026)	3 626	393 286	502 698
ITC	9 637	(10 778)	(43 739)	(53 962)
UNCDF	39 516	(5 954)	309 432	268 870
UNDP	252 006	1 567 201	11 576 581	11 269 823
UNEP[a]	157 737	288 927	2 278 387	2 127 946
UNFPA	204 555	88 811	1 727 839	1 520 144
UN-Habitat[a]	31 282	35 136	380 060	348 694
UNICEF	1 506 927	1 216 338	10 327 849	8 899 780
UNITAR	16 684	(603)	46 936	30 831
UNHCR	464 468	554 430	2 823 124	2 479 849
UNODC[a]	61 255	58 325	881 539	822 794
UNOPS	90 381	39 500	360 368	286 546
UNRWA	76 999	(145 103)	(101 487)	(217 898)

[3] UNJSPF is not included because it follows International Accounting Standard 26 and IPSAS for financial reporting purposes.
[4] United Nations (Vol. I), ITC, UNCDF, UNDP, UNEP, UNFPA, UN-Habitat, UNICEF, UNITAR, UNHCR, UNODC, UNOPS, UNRWA, UNU and UN-Women.
[5] United Nations peacekeeping operations and IRMCT.
[6] United Nations (Vol. I), ITC, UNCDF, UNFPA, UNICEF, UNITAR, UNODC, UNOPS, UNRWA, UN-Women and IRMCT.

Entity	Surplus or deficit		Net assets	
	2021	2020	2021	2020
UNU[a]	28 851	49 780	542 120	512 739
UN-Women	150 726	96 187	1 032 123	875 839
IRMCT	(4 405)	(8 004)	57 315	58 180

Source: Financial statements of the individual entities.

[a] Differences between the figures reported in the concise summary for 2020 (A/76/173) and the same figures for 2020 in the present report are due to restatements made by management. The reasons for those adjustments are detailed in the individual financial statements of United Nations (Vol. I), UNEP, UN-Habitat, UNODC and UNU.

10. The two right-hand columns of table 1 set out changes in net assets at the end of 2020 and 2021. Net assets for five entities are not directly comparable with the figures provided in the concise summary for 2020, due to the figures for 2020 having been restated by $2.1 million for United Nations (Vol. I), $9.7 million for UNEP, $8.1 million for UN-Habitat, $3.5 million for UNODC and $2.4 million for UNU.

11. In 2021, 15 of the audited entities showed positive net assets. Two entities (ITC and UNRWA) showed negative net assets for the third consecutive year, attributable mainly to an operating loss and a net actuarial loss on employee benefits liabilities recognized in net assets.

12. The net assets of ITC and UNRWA increased compared with the previous year by $10 million and $116 million, respectively, mainly due to a surplus in 2021 of $10 million for ITC and $77 million for UNRWA.

13. The Board also noted that the net assets of two entities (United Nations peacekeeping operations and IRMCT) had declined slightly over the previous year. The decline in net assets for those entities reflected the combined effect of a deficit in operations and an actuarial loss recorded on employee benefits liabilities. By contrast, the Board further noted that United Nations (Vol. I) and UNICEF had significantly increased net assets compared with the previous year.

14. The net assets of United Nations (Vol. I) increased compared with the previous year. The increase of $1.341 billion in net assets was due to a significant surplus in 2021 of $870.76 million, composed mainly of an increase in voluntary contributions, and an increase in actuarial gains on employee benefits liabilities of $483.25 million.

15. For UNICEF, net assets increased by $1.428 billion, reaching $10.3 billion, as a result of an increased surplus, which reflects increased guaranteed funding available for programmatic activities in future years through multi-year contribution agreements.

16. The net assets of the remaining 11 entities were relatively stable or slightly increased compared with the previous year. For those entities, increases of more than 14 per cent were attributable mainly to the surplus obtained in 2021 (UNCDF, UNFPA, UNITAR, UNOPS and UN-Women) and actuarial gains from the valuation of employee benefits liabilities (UNFPA). Detailed reasons for the changes in the net assets position are discussed in the individual audit reports of the entities.

Ratios

17. Ratio analysis is a quantitative analysis of information provided in the financial statements. Four main ratios are discussed in the present report: solvency 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).

18. Ratio analysis provides an assessment of financial sustainability and liquidity across United Nations entities (see table 2). 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.

19. Of all 17 entities,[7] 2 have an assets-to-liabilities ratio below 1 (ITC, at 0.90; and UNRWA, at 0.91). Four entities have an assets-to-liabilities ratio above but close to 1 (UNOPS, at 1.07; United Nations peacekeeping operations, at 1.09; IRMCT, at 1.33; and United Nations (Vol. I), at 1.43). The remaining 11 entities have ratios comfortably above 1 (between 2.19 for UNICEF and 14.11 for UNCDF).

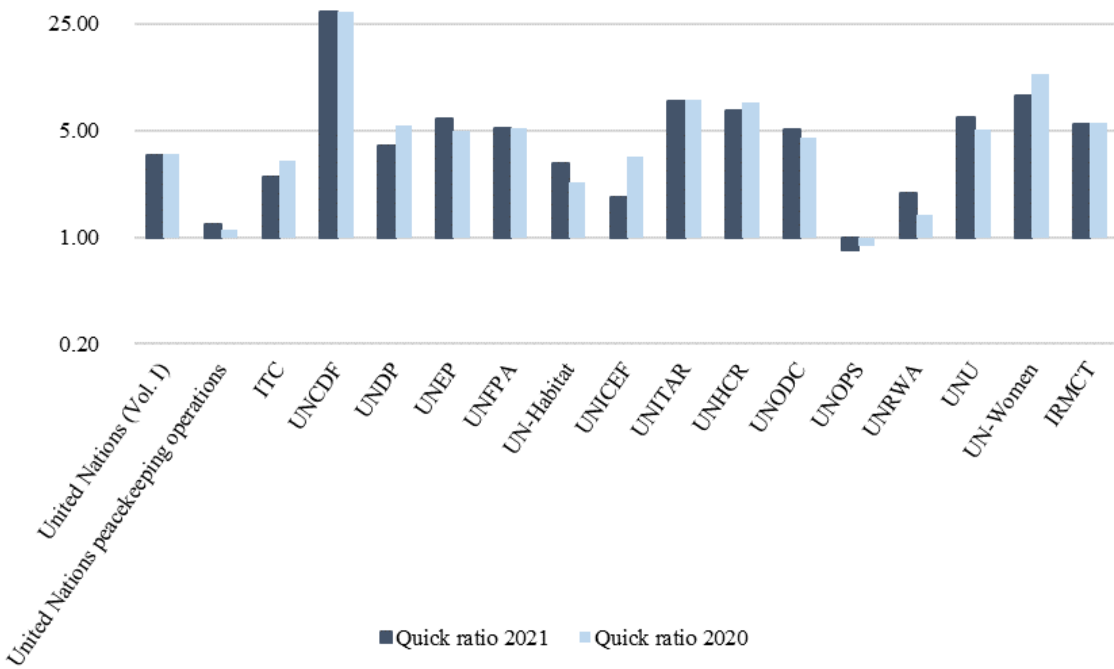
20. A ratio above 1 indicates an entity's ability to meet its overall obligations. As the major part of the liability of the two entities with assets-to-liabilities ratios below 1 is of a long-term nature, mainly composed of employee benefits liabilities, there is no immediate threat to their solvency, but they need to strengthen their asset position over the long term.

21. The Board further noted that the current ratio and the quick ratio for United Nations peacekeeping operations had increased; however, the cash ratio remained less than 1, at 0.47 (0.47 in 2020). The cash ratios of the different peacekeeping missions varied significantly; 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 2021. The main reason for a low cash ratio was arrears of assessed contributions, which led to pressure on the liquidity side.

22. For UNOPS, the Board noted that, in 2021, there had been decreases in the current ratio (0.83), quick ratio (0.82) and cash ratio (0.80), all of which remained below 1, as in the previous year. Although there was an increase in current assets of $816 million in 2021, there was also an increase of $1,189 million in current liabilities. The main reason for the decreases in the financial ratios was the nature of practice of UNOPS, which received client funds prior to the start of a project, recognizing them as project cash advances received under current liabilities and investing some of the funds received in advance in long-term investments, rather than holding them as cash. 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. The comparison of quick ratios among the 18 entities for the years 2020 and 2021 is shown in figure I.

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

Figure I
Quick ratios, 2021 and 2020



23. 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, there were significant declines for some entities in several ratios in 2021 compared with 2020 (see table 2). Moreover, the Board noted for a second consecutive year that the liquidity ratios, specifically the quick ratio (see figure I), of 11 entities had decreased compared with the previous year, whereas the remaining six had seen an increase in that respect.

24. Consequently, even though the ratios in general showed sufficient solvency and the liquidity ratios were sufficient (with the exception of United Nations peacekeeping operations), liquidity trends should be constantly monitored in order to manage liquidity risks.

Table 2
Ratio analysis as at 31 December 2021

	Solvency 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	*2021*	*2020*	*2021*	*2020*	*2021*	*2020*	*2021*	*2020*
United Nations (Vol. I)	1.43	1.27	3.81	3.79	3.44	3.51	2.69	2.48
United Nations peacekeeping operations	1.09	1.11	1.38	1.25	1.22	1.11	0.47	0.47
ITC	0.90	0.88	2.55	3.24	2.47	3.16	1.34	1.74
UNCDF	14.11	12.49	30.19	30.44	29.89	30.19	12.40	16.26
UNDP	4.24	4.72	4.10	5.54	3.94	5.39	2.57	3.55
UNEP[e]	5.10	4.86	6.88	5.96	5.99	5.02	4.66	3.60

Entity	Solvency 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]	
	2021	2020	2021	2020	2021	2020	2021	2020
UNFPA	3.99	3.55	6.00	5.91	5.13	5.20	3.84	4.20
UN-Habitat[e]	3.03	2.63	3.23	2.48	3.06	2.29	1.77	1.26
UNICEF[f]	2.19	3.16	2.06	4.10	1.82	3.37	1.37	2.02
UNITAR	2.75	2.19	8.54	8.33	7.83	7.98	4.37	5.70
UNHCR	2.59	2.63	8.01	8.97	6.73	7.58	4.16	4.34
UNODC[e]	3.23	3.07	5.17	4.65	5.04	4.51	4.19	3.60
UNOPS	1.07	1.08	0.83	0.88	0.82	0.87	0.80	0.85
UNRWA	0.91	0.80	2.36	1.80	1.95	1.41	1.68	1.24
UNU[e]	8.67	8.27	6.14	5.11	6.11	5.08	3.99	3.46
UN-Women[e]	6.95	6.04	9.95	12.67	8.79	11.83	5.10	8.59
IRMCT	1.33	1.34	5.55	5.69	5.51	5.67	4.00	4.01

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 2020 and the same figures for 2020 in the present report are due to restatements made by management.

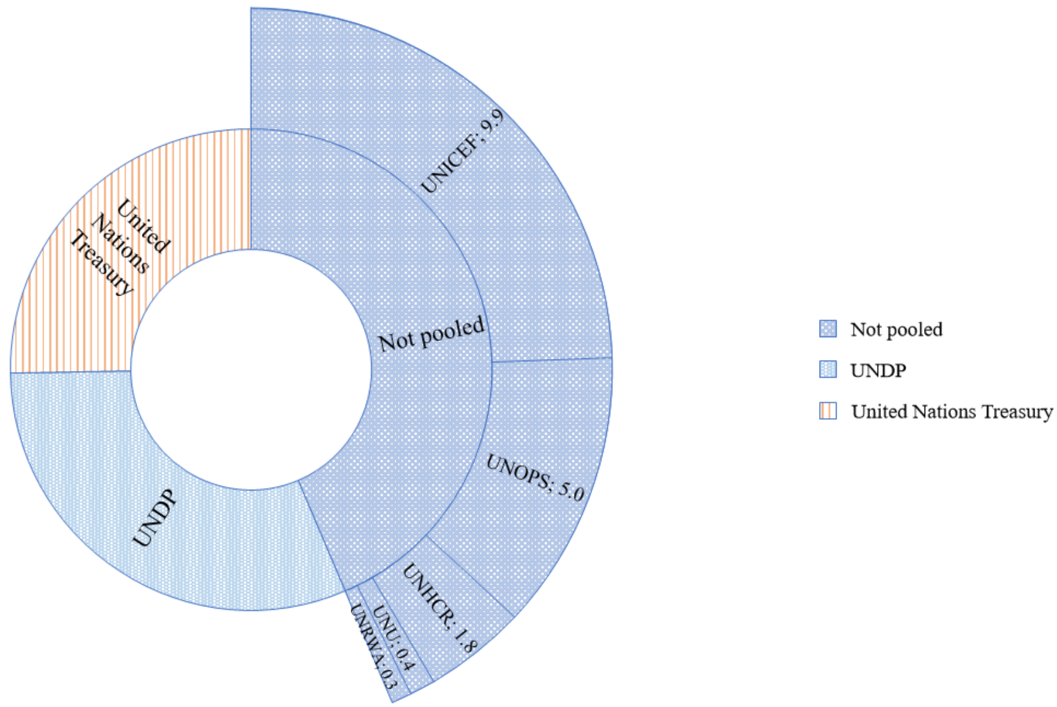
[f] The current investments held by UNICEF to meet the after-service health insurance benefits (non-current liabilities) have been excluded from this ratio analysis.

C. Cash and investment management

25. 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, as shown in figure II.

Figure II
United Nations cash and investment pooling and others, 2021[a]

(Billions of United States dollars)



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

[a] The "not pooled" label refers to funds not pooled or managed by another United Nations entity.

26. As at 31 December 2021, eight of the audited entities[8] were participating in the investment pool maintained by the United Nations Treasury, which managed cash and investments of $12.02 billion in its investment pool (see figure II). In addition, UNDP managed investments for its own programme and for other United Nations entities under service-level agreements covering four entities[9] included in the present report. Five entities (UNHCR, UNICEF, UNOPS, UNU[10] and UNRWA) had a total of $17.59 billion in cash and investments that were not pooled or managed by others.

27. 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 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. In order to ensure that investment pool risks and returns are properly managed, the United Nations Treasury relies on a team of

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

[9] UNCDF, UNFPA, UNITAR and UN-Women. The investment balances shown also include investments outsourced by UNDP to external fund managers.

[10] Of the total cash and investments of $503.84 million, $443.51 million, or 88.0 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; $44.87 million, or 8.9 per cent, relates to the cash and investments pooled with the United Nations Treasury.

dedicated staff who are investment professionals to manage the pooled funds and to provide daily liquidity to all pool participants.

28. The status of cash, cash equivalents and investments for 17 entities[11] as at 31 December 2021 is shown in table 3. Such assets accounted for the majority of assets across all entities. For 12 entities, the assets represented more than half of total assets. For UNOPS and UNU, they represented more than 80 per cent of total assets.

29. In general, investments (short-term and long-term investments, see table 3) are increasing; for instance, three entities showed an increase of between $1 billion and $3 billion compared with the previous year. As at 31 December 2021, investments were above $1 billion for seven entities (United Nations (Vol. I), United Nations peacekeeping operations, UNDP, UNFPA, UNEP, UNICEF and UNOPS).

Table 3
Cash, cash equivalents and investments as at 31 December 2021

(Thousands of United States dollars)

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/ managed?*
	2021	*2020*	*2021*	*2020*	*2021*	*2020*	*2021*	*2020*	
United Nations (Vol. I)	646 533	544 417	4 951 069	4 097 201	11 723 906	10 273 257	47.75	45.18	United Nations Treasury
United Nations peacekeeping operations	129 671	139 462	1 325 789	1 529 911	4 897 172	5 096 554	29.72	32.75	United Nations Treasury
ITC	17 792	18 983	142 920	154 605	392 628	412 027	40.93	42.13	United Nations Treasury
UNCDF	15 618	48 107	163 930	108 335[a]	333 038	292 274	53.91	53.53	UNDP
UNDP[b]	963 660	1 177 292	8 954 366	7 894 184	15 150 882	14 298 583	65.46	63.44	UNDP
UNEP[c]	167 354	143 261	1 357 750	1 167 945	2 833 780	2 679 890	53.82	48.93	United Nations Treasury
UNFPA	206 966	278 246	1 483 088	1 235 536	2 305 394	2 116 041	73.31	71.54	UNDP
UN-Habitat	32 345	30 446	261 400	246 143	567 157	562 516	51.79	49.17	United Nations Treasury
UNICEF	604 378	710 257	9 281 138	5 790 245	19 031 685	13 019 440	51.94	49.93	Not pooled
UNITAR	2 915	11 181	41 347	26 820	73 784	56 632	59.99	67.10	UNDP
UNHCR	1 183 891	1 125 255	655 000	534 000	4 593 653	4 004 257	40.03	41.44	Not pooled
UNODC[c]	103 698	95 283	841 161	776 605	1 277 198	1 219 572	73.98	71.49	United Nations Treasury
UNOPS	782 834	883 975	4 263 037	2 905 506	5 172 954	3 909 647	97.54	96.93	Not pooled
UNRWA	356 967	260 686	–	–	971 638	862 400	36.74	30.23	Not pooled
UNU[c]	23 031	27 635	480 803	450 714	612 801	583 301	82.22	82.01	United Nations Treasury
UN-Women	101 227	164 785	644 328	567 395	1 205 685	1 049 462	61.84	69.77	UNDP
IRMCT	17 838	17 787	144 697	144 942	230 370	230 663	70.55	70.55	United Nations Treasury

Source: Financial statements of 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 2020.

[b] Includes funds held in trust balances.

[c] Differences between the figures reported in the concise summary for 2020 and the same figures for 2020 in the present report are due to restatements made by management.

[11] All entities except UNJSPF.

D. Employee benefits liabilities

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

31. 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.

32. The status of employee benefits liabilities (excluding pensionary benefits) in different entities is presented in table 4. For 15 entities, such liabilities represented more than one quarter (25 per cent) of total liabilities; for 9 entities they were more than half of total liabilities. For UNCDF, UNHCR, UNITAR and UNRWA, employee benefits liabilities were higher than 80 per cent of total liabilities.

33. Employee benefits liabilities increased slightly compared with the previous year for 16 entities and decreased for 2 entities (United Nations (Vol. I) and IRMCT). The increases were attributable mainly to changes in financial assumptions, such as those related to the trend of increased health-care costs, and were partly offset by an increase in the discount rate and inflation rate applied in the actuarial valuation exercise.

34. 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. Such post-employment medical care accounted for the majority of employee benefits liabilities for all of the entities except UNRWA.

35. In 2021, 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, which is in line with the large number of staff in those entities.

Table 4
Status of employee benefits liabilities in different entities as at 31 December 2021
(Thousands of United States dollars)

	Total employee benefits liabilities[a]		*Total liabilities*		*Total employee benefits liabilities as a percentage of total liabilities*		*After-service health insurance*	
Entity	*2021*	*2020*	*2021*	*2020*	*2021*	*2020*	*2021*	*2020*
United Nations (Vol. I)[b]	6 337 567	6 589 247	8 208 937	8 099 423	77.20	81.35	5 503 890	5 891 198
United Nations peacekeeping operations	2 189 350	2 002 174	4 503 886	4 593 856	48.61	43.58	1 731 936	1 576 645
ITC	186 189	180 239	436 367	465 989	42.67	38.68	167 077	164 795
UNCDF	21 033	20 897	23 606	23 404	89.10	89.29	14 534	14 577
UNDP	1 550 242	1 531 495	3 574 301	3 028 760	43.37	50.57	1 190 424	1 173 893
UNEP	285 230	278 899	555 393	551 944	51.36	50.53	234 028	228 438
UNFPA	445 665	426 877	577 555	595 897	77.16	71.64	367 082	352 844
UN-Habitat[b]	47 513	45 346	187 097	213 822	25.39	21.21	34 845	32 907
UNICEF[c]	2 022 401	1 888 313	8 703 836	4 119 660	23.24	45.84	1 648 546	1 540 920

Entity	Total employee benefits liabilities[a]		Total liabilities		Total employee benefits liabilities as a percentage of total liabilities		After-service health insurance	
	2021	2020	2021	2020	2021	2020	2021	2020
UNITAR	22 284	20 374	26 848	25 801	83.00	78.97	18 899	17 724
UNHCR	1 489 008	1 290 187	1 770 529	1 524 408	84.10	84.64	1 200 464	1 021 858
UNJSPF	119 720	116 330	309 639	274 042	38.66	42.45	106 946	105 186
UNODC	147 149	135 068	395 659	396 778	37.19	34.04	102 039	96 133
UNOPS	146 357	143 230	4 812 586	3 623 101	3.04	3.95	88 855	84 064
UNRWA	952 541	951 059	1 073 125	1 080 298	88.76	88.04	771	788
UNU	15 377	15 131	70 681	70 562	21.76	21.44	9 911	9 572
UN-Women	135 097	132 706	173 562	173 623	77.84	76.43	103 506	93 422
IRMCT	95 481	98 600	173 055	172 483	55.17	57.17	77 749	81 717

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

[a] Excluding pension liabilities.

[b] Differences between the figures reported in the concise summary for 2020 and the same figures for 2020 in the present report are due to restatements made by management.

[c] After-service health insurance balances for UNICEF include its after-service health insurance medical insurance plan.

E. Receivables

36. 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.

37. As at 31 December 2021, the 17 United Nations entities[12] included in table 5 had accumulated total receivables (assessed contributions, voluntary contributions and other receivables) of $17,790 million (2020: 16,864 million), receivables outstanding for one year or longer totalled $698 million (2020: $626 million) and receivables from other United Nations entities amounted to $1,063 million (2020: $987 million).

38. The Board noted that 12 entities had increased receivables compared with the previous year. The entity with the highest receivables was UNDP, at $4,800 million, owing to commitments and agreements with funding partners, including those made for future years.

39. UNEP had the highest receivables from other United Nations entities. In 2021, those receivables totalled $646 million, or 61 per cent of such receivables held by all 17 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.

[12] All entities except UNJSPF.

40. Seven entities had receivables of more than $10 million that had been outstanding for one year or more; for one entity (IRMCT), receivables outstanding for one year or more amounted to 73.7 per cent of its total receivables.

Table 5
Receivables as at 31 December 2021
(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	*2021*	*2020*	*2021*	*2020*	*2021*	*2020*
United Nations (Vol. I)	2 342 197	2 140 381	36 392	58 446	135 865	120 539
United Nations peacekeeping operations	1 809 572	1 701 661	505 975	359 751	12 961	15 646
ITC	219 484	227 801	–	–	1 992	1 621
UNCDF	149 148	132 138	215	151	16 333	270
UNDP	4 800 232	4 861 601	25 291	25 483	312	4 508
UNEP[a]	979 527	998 480	22 226	38 502	646 449	635 466
UNFPA	463 388	439 065[b]	2 080	3 102	25 291	4 286
UN-Habitat	225 397	234 453	15 670	13 659	22 660	28 037
UNICEF	4 125 847	3 776 479	13 694	19 010	155 246	140 999
UNITAR	25 635	16 332	–	91	2 236	3 170
UNHCR	1 947 432	1 562 955	3 873	4 662	20 538	19 171
UNODC	289 944	308 792	1 047	9 032	5 928	11 839
UNOPS	87 003	85 705	2 946	2 747	5 479	1 090
UNRWA	39 516	20 809	2 166	2 065	1 209	698
UNU[a]	55 021	50 105	87	297	44	20
UN-Women[c]	381 257	255 749	285	1 433	10 875	94
IRMCT	52 956	52 426	39 038	42 878	75	9

Source: Financial statements and information provided by the individual entities.
[a] Differences between the figures reported in the concise summary for 2020 and the same figures for 2020 in the present report are due to restatements made by management.
[b] Figure has been restated owing to the detection of a slight difference from the figure reported in the concise summary for 2020.
[c] Differences between the figures for 2020 reported in the concise summary for 2020 and the same figures in the present report are due to a recalculation made by management.

F. Expenses

41. Table 6 sets out the total expenses over two years (2021 and 2020). The Board noted that 14 of the audited entities showed an increase in 2021 (between 0.4 per cent for UNOPS and 20.8 per cent for UN-Women).

42. At the end of the financial year, United Nations peacekeeping operations and UNICEF had the highest expenses of all 18 audited entities. The total expenses of United Nations peacekeeping operations amounted to $7,265 million, approximately $71.4 million less than 2020, and the total expenses of UNICEF amounted to $7,135 million, an increase of $730 million.

43. Owing to the nature of these two operations, 25 per cent of the total expenses of United Nations peacekeeping operations and 24 per cent of the total expenses of UNICEF, respectively, were for staff costs.

44. Staff costs represented more than half of the total expenses for IRMCT, UNRWA, ITC and UNJSPF. For UNICEF, UNU, UNDP and UNOPS, staff costs were less than 25 per cent of total expenses.

45. The Board also noted that IRMCT was the entity for which staff costs accounted for the highest percentage of total expenses: 76 per cent as at 31 December 2021. Staff costs had increased slightly, mainly due to the separation of 78 staff members, at a total cost of $1.72 million.

46. By contrast, staff costs accounted for the lowest percentage of total expenses at UNOPS: 12 per cent as at 31 December 2021. 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. Contractual services ($367 million) and other personnel expenses related to the remuneration paid to UNOPS individual contractors ($307 million) represented 59 per cent of its total expenses.

Table 6
Total expenses and staff costs for the year ended 31 December 2021
(Thousands of United States dollars and number of staff members)

	Total expenses		*Staff costs (employee salaries, benefits and allowances)*		*Staff costs as a percentage of total expenses*		*Number of staff members*		*Staff costs per staff member*	
Entity	*2021*	*2020*	*2021*	*2020*	*2021*	*2020*	*2021*	*2020*	*2021*	*2020*
United Nations (Vol. I)	6 683 713	6 773 095	2 930 515	2 774 272	43.85	40.96	18 138	17 518	161.57	158.37
United Nations peacekeeping operations	7 265 454	7 336 867	1 839 459	1 773 350	25.32	24.17	11 800	13 183	155.89	134.52
ITC	150 872	131 295	76 202	68 573	50.51	52.23	426	404	178.88	169.74
UNCDF	97 105	81 669	25 304	22 785	26.06	27.90	176	171	143.77	133.25
UNDP	5 384 859	5 050 846	866 185	814 310	16.09	16.12	7 689	7 567	112.65	107.61
UNEP	592 373	516 609	201 926	189 798	34.09	36.74	1 287	1 269	156.90	149.57
UNFPA	1 300 677	1 228 103	335 088	320 774	25.76	26.12	3 213	3 072	104.29	104.42
UN-Habitat	172 797	150 858	47 781	46 714	27.65	30.97	313	303	152.65	154.17
UNICEF	7 135 931	6 405 833	1 716 192	1 657 747	24.05	25.88	15 905	15 745	107.90	105.29
UNITAR[a]	40 129	34 679	13 346	11 484	33.26	33.12	96	89	139.02	129.03
UNHCR	4 789 738	4 337 218	1 260 716	1 167 879	26.32	26.93	14 097	13 336	89.45	87.57
UNJSPF[b]	99 010	103 194	54 903	50 700	55.45	49.13[c]	345	325	159.14	156.00[c]
UNODC	356 520	333 101	147 520	132 258	41.38	39.71	903	889	163.37	148.77
UNOPS	1 145 198	1 140 725	135 691	149 255	11.85	13.08	720	823	188.46	181.35
UNRWA	1 206 677	1 127 619	741 890	708 705	61.48	62.85	28 031	28 451	26.47	24.91
UNU[d]	78 154	70 737	18 170	17 461	23.25	24.68	137	126	132.63	138.58
UN-Women	530 742	439 510	166 458	156 738	31.36	35.66	1 206	1 161	138.02	135.00
IRMCT	92 147	93 262	70 316	70 168	76.31	75.81	488	559	144.09	125.52

(Footnotes on following page)

(Footnotes to table)

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

[a] Differences between the number of staff members in 2020 reported in the concise summary for 2020 and the same figures in the present report are due to a recalculation made by management.

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

[c] Figure has been restated owing to the detection of a slight difference from the figure reported in the concise summary for 2020.

[d] UNU contractors hired under personnel service agreements were considered to be employees for the purposes of IPSAS reporting but were not counted as staff members according to the Staff Regulations and Rules of the United Nations. Therefore, staff costs do not include salaries for personnel service agreements.

G. Budget management

47. 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.

48. The Board analysed the statements of comparison of budget and actual amounts and noted that, of the 18 audited entities, 17 had budget expenditure not exceeding the appropriated budget (see table 7). UNITAR had a slightly higher budget expenditure of 7.3 per cent more than that appropriated, mainly because programme expenditure, in particular in the Peacekeeping Training Programme Unit, was higher than planned.

49. Expenditure incurred by UNHCR, UNICEF and UNRWA was more than $100 million lower than the budget funds appropriated. The total budget for UNHCR had been prepared on the basis of a global needs assessment methodology at the request of its member States. 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 2021, the funds available amounted to $5,153 million. Since UNHCR uses the needs-based budgeting methodology, its budget estimates are not immediately comparable with those of other entities.

50. For UNRWA, the variation in budgetary utilization is the result of various factors, such as management actions to reduce the cash shortfall; cash and food distribution from the social safety net programme; the impact of the coronavirus disease (COVID-19) pandemic; and other budget reserves, which represents a temporary unfunded and unallocated budget item.

51. The total budgetary expenditure of UNICEF was $7.22 billion. For UNICEF, the difference of $458 million between the final budget and the actual expenditure was due mainly to variances in the following budget lines: $245.01 million for other resources – regular; $137.02 million for other resources – emergency; and $55.39 million for the institutional budget.

Table 7
Status of the budget at various entities for the year ended 31 December 2021
(Thousands of United States dollars)

	Total budget 2021			
Entity	*Appropriation*	*Expenditure*	*Difference between expenditure and appropriation*	*Difference as a percentage of total budget appropriation*
United Nations (Vol. I)[a]	3 224 724	3 017 891	(206 833)	(6.4)
United Nations peacekeeping operations	6 823 058	6 610 956	(212 102)	(3.1)
ITC	40 945	40 361	(584)	(1.4)
UNCDF[a]	12 619	11 805	(814)	(6.5)
UNDP[a]	701 589	686 249	(15 340)	(2.2)
UNEP	97 878	95 703	(2 175)	(2.2)
UNFPA[a]	461 793	433 040	(28 753)	(6.2)
UN-Habitat	25 421	17 043	(8 378)	(33.0)
UNICEF	7 680 483	7 222 264	(458 219)	(6.0)
UNITAR	35 583	38 171	2 588	7.3
UNHCR[b]	9 247 553	4 917 975	(4 329 578)	(46.8)
UNJSPF	111 213	99 602	(11 611)	(10.4)
UNODC	349 401	348 783	(618)	(0.2)
UNOPS	83 665	74 693	(8 972)	(10.7)
UNRWA	1 033 055	850 041	(183 014)	(17.7)
UNU	60 031	54 134	(5 897)	(9.8)
UN-Women	547 826	532 832	(14 994)	(2.7)
IRMCT	97 520	90 346	(7 174)	(7.4)

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

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

[b] The total estimated budgetary requirements for addressing the needs of all persons of concern amounted to $9,247 million. The total available funds were $5,153 million, while UNHCR implemented activities in the amount of $4,918 million. The difference amounted to $235 million, or 4.56 per cent of total available funds.

III. Fraud and presumptive fraud

52. The United Nations and its funds and programmes are exposed to different types of strategic and operational risks affecting the processes that support the implementation of the mandates of the Organization. These include fraud and corruption risks. The Board noted that, in the tenth progress report on accountability: strengthening accountability in the United Nations Secretariat (A/75/686), the Secretary-General highlighted the following six critical risks related to fraud and corruption: organizational culture; ICT governance and cybersecurity; implementing partners; the Umoja system control environment; the theft of fuel, rations and inventory; and procurement fraud.

53. In that regard, in paragraph 5 of the annex to General Assembly resolution S-32/1,[13] the Assembly stressed the role played by the supreme audit institutions and

[13] Entitled “Our common commitment to effectively addressing challenges and implementing measures to prevent and combat corruption and strengthen international cooperation”.

other oversight bodies in preventing and combating corruption, in particular with regard to promoting integrity, accountability, transparency and the proper management of public affairs and public property, as well as the efficient use of public resources.

54. Pursuant to that role, the Board has continued its attempt to harmonize the information disclosed by the entities regarding fraud and presumptive fraud, on the understanding that it is important to compare main trends regarding this matter using data from previous years. Table 8 shows the cases of fraud or presumptive fraud reported annually by the entities for 2019, 2020 and 2021, and the number of cases pending for more than two years. Detailed explanations are included in the individual audit reports of the entities.

Table 8
Number of cases of fraud and presumptive fraud reported in the past three years

Entity	*Number of cases of fraud and presumptive fraud* 2021	2020	2019	*Number of cases pending for more than two years*
United Nations (Vol. I)	92	111	147	50
United Nations peacekeeping operations	124	123	128	20
ITC	–	–	–	–
UNCDF	1	–	2	–
UNDP	35	65	100	35
UNEP	7	8	7	–
UNFPA	11	11	4	59
UN-Habitat	–	–	–	–
UNICEF	152	107	142	17
UNITAR	–	–	–	–
UNHCR	97	102	106	1
UNJSPF	–	–	–	–
UNODC	30	12	10	7
UNOPS	56	66	78	–
UNRWA	47	48	58	7
UNU	–	–	–	–
UN-Women	16	12	10	–
IRMCT	–	–	–	–

Source: Information provided by the individual entities.

55. Of the 18 entities, the Board noted that 11 had disclosed cases of fraud or presumptive fraud in each of the past three years. Of those entities, four[14] had seen an increase in such cases in 2021 compared with the previous year, while the remaining seven had seen a decrease in that respect.

56. There were 196 cases of fraud or presumptive fraud, pertaining to eight entities, that had been pending for more than two years. More than 55 per cent of those cases

[14] United Nations peacekeeping operations, UNICEF, UNODC and UN-Women.

corresponded to United Nations (Vol. I) and to UNFPA. The total number of cases has decreased in the past three years, from 793 in 2019 to 668 in 2021.

IV. Key findings and recommendations

57. 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.

58. In that context, the present report highlights, by category, the major findings issued in the individual audit reports of the entities resulting from the audits conducted for the years ended 31 December 2020 and 31 December 2021. A breakdown of the categories is presented in figure III.

59. For a second consecutive year, the three main categories are financial and accounting-related matters, human resources, and programme and project management (including implementing partners).

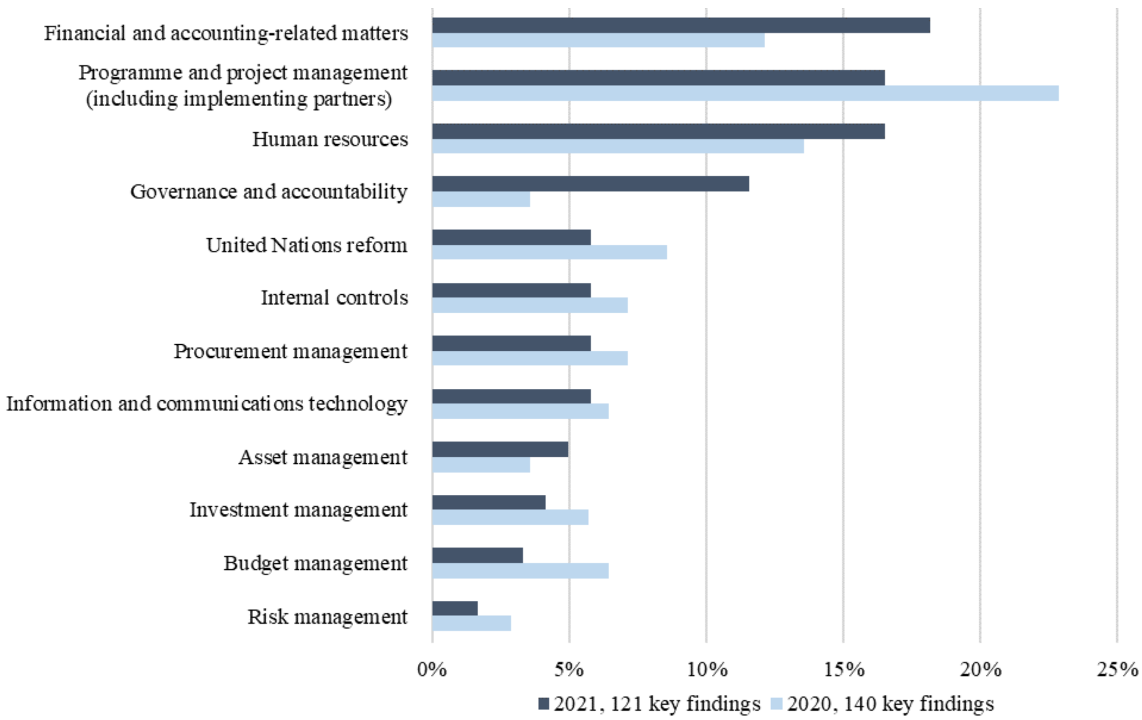
60. Of the key findings identified by the Board in 2021, 18 per cent are related to financial and accounting-related matters, including cost recovery, outdated balances and voluntary contributions. Following the concerns raised by the Advisory Committee on Administrative and Budgetary Questions in its report on financial reports and audited financial statements and reports of the Board of Auditors for the period ended 31 December 2020 (see A/76/554, para. 15), the Board continued its review of cost recovery services, resulting in five key findings, including findings related to the root causes of accumulated surpluses, the appropriateness of service charges, and reviews of the prices used for cost recovery.

61. The "programme and project management (including implementing partners)" category represents 17 per cent and 23 per cent of the total key findings in 2021 and 2020, respectively. Some of the findings are related to insufficient documentation, delayed revision, lack of measures and improper management with regard to the cycle of programme and project management. In recent years, several issues and risks related to utilization and management of implementing partners by the entities have drawn the attention of the Board. In that sense, following a revision in 2021 on this issue, new key findings were highlighted by the Board in five individual Board reports. The analysis of those findings is thoroughly addressed in section VI of the present report.

62. Based on the Board's analysis of key findings, the third most observed and highlighted category is human resources, which represents 17 per cent and 14 per cent of the total key findings in 2021 and 2020, respectively. Insufficient monitoring of non-staff personnel, lack of a comprehensive workforce plan, insufficient achievement of vacancy rates and consultants exceeding maximum contract periods are some of the major findings relating to human resources management identified for 2021.

63. In contrast to the previous year, several issues related to accountability and the strategic plan of the entities were raised in 2021 by the Board as key matters.

Figure III
Key findings, by category, 2020 and 2021



64. In the following section, the Board presents its key findings and recommendations for each of the 17 United Nations entities[15] covered in the present report resulting from the financial and performance audits that it conducted for the year ended 31 December 2021.

65. The Board conducted its audits through a combination of field audits and remote audits owing to travel restrictions during the COVID-19 pandemic.

A. United Nations (Vol. I)

Cost recovery services

66. For the 10RCR fund (cost-recovery fund), there was an overall upward trend in the annual surplus during the period 2016–2021, leading to a total amount of $448.54 million in accumulated surplus as at 31 December 2021, an increase of 129 per cent compared with the amount at the year end of 2016. A large portion of that increase was due to the action taken to respond to the unusual circumstances during the liquidity crisis and the COVID-19 pandemic in 2020. Through a structural analysis, the Board noted that United Nations Headquarters had the largest portion of the accumulated surplus, ranging from 45 to 56 per cent from 2016 to 2021. Meanwhile, a number of fund centres of various entities had a continuous and significant surplus, and $22.96 million in accumulated surplus had not been assigned to any fund centre. The percentage of the accumulated surplus, compared with annual

[15] 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 (see A/76/5 (Vol. II), chaps. I and II).

10RCR expenses (i.e., reserve ratio), among the entities varied significantly, from 37 to 2,959 per cent.

67. The Board noted some cases of unreasonable charges for cost-recovery services. For example, from 2017 to 2021, the United Nations Support Mission in Libya charged $14.78 million from various United Nations country teams, agencies, funds and programmes for providing services relating to, among others, accommodation, security and aviation, while associated costs for those services had already been covered under the regular budget of the Mission, which led to a $14.78 million 10RCR surplus for the Mission as at 31 December 2021. In addition, during the period 2018–2021, the United Nations Assistance Mission for Iraq had an annual 10RCR surplus ranging from $1.70 million to $2.80 million, with a surplus ratio (i.e., percentage of surplus to total revenue) ranging from 15 to 29 per cent.

68. The Board noted that, at some entities, revenue and expenses for similar types of service were recorded in different fund centres. The absence of a cost-tracing regime at the service level may prevent the service providers from effectively monitoring the actual revenue, expenses and surplus for each category of service and taking appropriate action, such as service rate adjustments in the event of a continuous increase in observable surplus.

Budget management

69. At the year end of 2020, the Administration transferred $28.72 million from the 10UNA fund (major component of the regular budget) to the 10RCR fund for the purpose of ensuring business continuity of the Organization in the light of the COVID-19 pandemic. Of that amount, $6.64 million was utilized by eight entities in 2021 for, among others, equipment procurement and construction in progress. That expenditure was not included in the proposed programme budget of any budget period, but rather was included in the entities’ proposals approved by the Controller for business continuity, in line with their respective mandates. The Board noted one case in which additional allotments above the proposed programme budget approved by the General Assembly had been allocated and then covered by the transferred amount, and another case in which the transferred amount had been used to support a project in response to COVID-19-related challenges, which was launched with extrabudgetary resources. As at 31 December 2021, the balance arising from the transfer was $21.68 million.

70. At the year end of 2019 and 2020, the Administration created fund commitments of $55.32 million and $116.66 million, respectively, without the normal supporting documentation. The Administration explained that those “special fund commitments” had been created in response to the liquidity crisis relating to the regular budget and the negative impact on mandate delivery exacerbated by the COVID-19 pandemic, and their subsequent usage was fully supported with appropriate documentation. As at 31 December 2021, the remaining balance of 2020 special fund commitments totalled $17.74 million.

71. The Board reviewed the utilization of those special fund commitments and noted that the Administration had transferred $18.59 million (part of the $116.66 million in 2020 special fund commitments) from the 10UNA fund to the 10RCR fund, in line with the Controller’s approval, to cover expenses such as vehicle and equipment procurement, construction in progress and consultant fees incurred by various entities from April to December 2021. In that regard, the Board noted the following issues:

(a) The United Nations Support Mission in Libya had acquired vehicles through special fund commitments, leading to an excess holding of vehicles. As at 31 December 2021, the Mission held 108 vehicles, which was 74, or 218 per cent, higher than the entitled number of 34. With regard to the five VIP vehicles, only two staff members (above the D-2 level) were eligible for VIP vehicles, resulting in three such vehicles in excess;

(b) The Economic Commission for Africa (ECA) and the Office of Information and Communications Technology acquired information technology equipment with special fund commitments, leading to overexpenditure and idle assets. For example, ECA acquired 18,745 tablets valued at $3.16 million from August to November 2021. Similarly, the Office used $1.23 million in special fund commitments to purchase 1,160 wireless indoor access points in August 2021. This led to overexpenditure in the budget class “furniture and equipment” for ECA and the Office by 57 and 67 per cent, respectively, in 2020. Furthermore, all the above-mentioned information technology equipment was delivered during the period from October 2021 to March 2022 and remained idle at the end of April 2022.

72. The Board noted that general temporary assistance finite positions had not been disclosed in full nor duly justified in the budget proposals submitted to the governing bodies and that general temporary assistance replacement positions of a duration of more than one year had been neither disclosed nor proposed. For example, of the 118 general temporary assistance replacement positions (from 12 sample entities) funded through the regular budget, 59 (50 per cent) had a duration of more than one year. A similar issue was noted regarding general temporary assistance funded through extrabudgetary resources.

Voluntary contributions

73. The Board sampled 89 grant agreements signed by various departments and offices of the United Nations Secretariat and donors from 2019 to 2021 and noted that 17 grant agreements totalling $198.7 million contained special provisions that were not in full compliance with the United Nations legal framework, including: (a) 16 grant agreements amounting to $195.1 million, which had special provisions inconsistent with the Charter of the United Nations; (b) 2 grant agreements totalling $47.2 million, which had special provisions inconsistent with the recordkeeping requirements pursuant to the Financial Regulations and Rules of the United Nations; and (c) 1 grant agreement valued at $3.6 million, which had special provisions inconsistent with the guiding principles of the Financial Regulations and Rules relating to procurement activities.

74. The Administration stated that, in its agreements, the United Nations consistently reserved its privileges and immunities and made clear that the administration and management of the funds were subject to the Organization’s regulations and rules, including the Financial Regulations and Rules and the Staff Regulations and Rules.

75. As at 31 December 2021, the cash pool balances of trust funds totalled $2.70 billion, an increase of 56 per cent compared with the amount by the year end of 2017. In particular, the cash pool balances of two trust funds (32DDN and 32CER) managed by the Office for the Coordination of Humanitarian Affairs were $920.66 million and $427.64 million, respectively. The Board noted that some outdated balances in 32DDN had not been addressed by the Administration in a timely manner, which contributed to a significant cash balance for 32DDN.

Cash and investment management

76. As at 31 December 2021, 255 house bank accounts were managed by the United Nations Treasury, of which 71 (28 per cent) had been opened in country A, 13 in country B, and the others in more than 80 countries and regions. However, there were no formal procedures in place to undertake a periodic review of the status of the accounts and take appropriate action. Formalization of procedures for status reviews

of bank accounts and closing processes would improve the efficiency of bank account management and fulfil the goal of minimizing the number of bank accounts per country, which will, in turn, reduce risk and avoid unnecessary administrative costs.

77. In its previous audit, the Board had noted that there was no specific investment strategy nor were there guidelines for end-of-service employee benefits-related funds. During the 2021 audit, the Board noted that the Administration had undertaken relevant action to address the issue. However, the Board also noted that the pooled funds relating to end-of-service employee benefits, including after-service health insurance and repatriation benefits, totalled $325.28 million as at 31 December 2021. The Board is of the view that funds for liabilities of a long duration should be invested in long-term assets for asset and liability management purposes and that the Administration needs to establish a separate pool for long-term employee benefits-related funds.

Health insurance programme

78. On the basis of sample tests carried out on the reimbursement data of third-party administrators for 2021, the Board noted 664 cases with inconsistencies between medical service information and the gender or age of the participants, in a total amount of $239,580.42. For example, $149,039.74 was paid for 520 adult participants for paediatric medicine and $37,441.34 was paid for 86 male participants for services in obstetrics gynaecology. The Board also noted cases of reimbursement exceeding health insurance plans limits, totalling $617,053.52.

Asset management

79. In response to the concerns raised by the Advisory Committee on Administrative and Budgetary Questions, the Board continued its review of the equipment list of the operations of the United Nations as reported in volume I and noted that, as at 31 December 2020, there were 12,300 idle computers and 516 idle vehicles. In 2021, 24,525 computers and 182 vehicles were purchased and, by the end of April 2022, 19,140 newly purchased computers and 119 newly purchased vehicles were idle, representing 78 and 65 per cent, respectively, of the newly purchased items.

80. During its on-site physical verification of firearms and ammunition at United Nations Headquarters, the Board noted some discrepancies between the stock list and relevant Umoja system records. For example, 10 shotguns were recorded in the stock list but not recorded in Umoja. In addition, seven types of ammunition, totalling 125,545 rounds, in the stock list were confirmed through a physical verification, but only two types with 367,302 rounds were recorded in Umoja. Neither the category nor the quantity of ammunition in the stock list was consistent with Umoja records. Those discrepancies may indicate insufficient internal controls over firearms and ammunition management.

Human resources management

81. The Board noted that general temporary assistance had evolved in the past two decades from being used for the replacement of staff on maternity or sick leave or to ensure adequate staffing during peak workload periods, to a funding type that could be used to "fund temporary staff on various types of appointments". As at 31 December 2021, there were 1,098 encumbered general temporary assistance and temporary assistance for meetings positions (excluding those in special political missions), which was 11.73 per cent of the total staff under regular budget resources. In addition, there were 57 encumbered general temporary assistance positions under other assessed and 1,209 encumbered general temporary assistance and temporary assistance for meetings positions under extrabudgetary resources. General temporary

assistance and temporary assistance for meetings positions had, in fact, been an integral and important part of the workforce of the operations of the United Nations as reported in volume I.

82. The Board, however, noted deficiencies. There was no overarching and comprehensive guidance on the use of general temporary assistance, which resulted in a lack of clarity and consistency and in ambiguity. In addition, general temporary assistance replacement and finite positions were not used in line with the related policy. A total of 894 of 1,457 general temporary assistance replacement positions that were active as at 31 December 2021 under the regular budget, other assessed and extrabudgetary resources of the operations of the United Nations as reported in volume I had been encumbered for more than one year, including 266 positions for more than five years. General temporary assistance positions funded through extrabudgetary resources could last for decades, and some had been established for more than 20 years. Moreover, insufficient proposals and justification for general temporary assistance and temporary assistance for meetings positions had been provided for review by governing bodies, notwithstanding repeated requests in that regard.

83. In 2021, six entities of United Nations operations as reported in volume I employed 1,810 staff members through service-level agreements with UNDP. The Board noted that those staff members were funded by and substantively reported to volume I entities but had been contracted by UNDP and had not been managed in Umoja. The Board is of the view that these staff need to be integrated into the Secretariat. The Board noted that approval from the Advisory Committee on Administrative and Budgetary Questions had not been sought for five positions (1 Assistant Secretary-General, 3 D-2 and 1 D-1) that had been established more than one year ago, with the earliest position, of Regional Humanitarian Coordinator (Assistant Secretary-General), having been established in 2012.

84. Some entities of United Nations operations as reported in volume I employed personnel on the basis of financial agreements with UNOPS, service-level agreements with UNDP and contractual services with third-party service providers. The Board reviewed the use of personnel through those modalities and noted that, among 1,035 personnel, 698 had been working for the Secretariat for more than 24 months, of whom 383 had been working with volume I entities for more than 5 years, including 82 for more than 10 years. Similar cases were also noted with personnel hired through contracts with third parties. The Board is concerned about the lack of clarity regarding the identities of these personnel and is of the view that this is a grey area in which volume I entities have been granted too much liberty and that these modalities have been used to excess.

Supply chain management

85. The Board noted that a centrally established model had been adopted to estimate demand for COVID-19 vaccinations, which resulted in an inaccurate estimate of the eligible population at the country level. This led to redistribution and a waste of vaccinations. In phase one of the United Nations System-wide COVID-19 Vaccination Programme, of the 300,000 distributed doses of vaccines, 38,510 (13 per cent) had been redistributed across United Nations country teams, among which 33,510 redistributed doses (87 per cent) had arrived fewer than six weeks prior to expiry, leaving a limited time to arrange for the administering of the doses, and some doses had to be donated or exchanged for others. In addition, 13,318 doses (4 per cent) had been reported as lost or wasted.

Management reform

86. The Board identified the following deficiencies relating to the setting of key performance indicators and the performance against them: (a) key and recurring deficiencies identified by the oversight bodies, such as assets that had remained idle for a long time, invalid commitments, overuse of the low-value acquisition method and the use of consultants and temporary appointments, which should be considered for inclusion in the expanded key performance indicators of delegation of authority, where applicable; (b) the performance against eight key performance indicators, which needs concrete action to ensure improvement, and the lack of a robust mechanism to request the entities to take remedial action in a timely manner; and (c) 143 human resources exceptions had been granted by entities outside of their delegated authority, with no subsequent corrective action having been taken or accountability enforced.

87. The Board identified the following relating to the performance evaluation of senior managers based on the senior managers' compacts for 2021: (a) the achievement of programme results should be strengthened in terms of assessing the performance of senior managers, pursuant to the action plan for the implementation of results-based management in the United Nations Secretariat, 2018–2021; and (b) material and recurring compliance issues should be considered in pilot measures when assessing senior managers' performance.

Development reform

88. As at 31 December 2021, 21 of 130 (16 per cent) resident coordinator positions were vacant. Twenty (95 per cent) of those vacant positions were encumbered by resident coordinators ad interim, among whom 10 (50 per cent) were heads of United Nations country teams and had been appointed for fewer than six months; however, they had no experience as a resident coordinator or resident coordinator ad interim. This may result in capacity gaps and have a negative impact on business continuity and institutional memory.

89. The Board noted that the selection of resident coordinators was pool-based and identified the following deficiencies in relation to resident coordinator pool management: (a) insufficient identification of a suitable number of candidates for resident coordinator vacancies; (b) a mismatch between the qualifications of pool members and the requirements of vacant resident coordinator positions; and (c) inactive pool members were retained for long periods of time in the pool. Those deficiencies constituted the major reasons for the inability to have leadership gaps filled in a timely manner.

90. As at 31 December 2021, the Board continued to note significant delays in key efficiency initiatives in the United Nations development system, as follows: (a) for common back offices, only 2 countries (1.5 per cent) had been approved by the United Nations system for establishment of the offices, while the roll-out in 18 others (13.7 per cent) was under design, an indication that the target establishment of common back offices for all 130 United Nations country teams by 2022 would be hard to achieve, and the root cause thereof is the heavy approval process at the country level and lack of capacity to facilitate the design of the common back offices, among other factors; and (b) for common premises, the percentage of common premises was 26, indicating that the target of 50 per cent by 2021 was overdue owing to delays in the data collection and quality assurance process of the common premises platform, and the lack of a resource and prioritization plan for the roll-out of common premises, among other factors.

91. With regard to the reporting of the efficiency gains as at 31 December 2021, the following deficiencies were noted: (a) efficiency gains relating to the majority of expected gains, including common back offices and common premises, were not duly captured and reported; and (b) there was a lack of detailed supporting documentation to substantiate the estimated efficiency gains of $194 million in 2021.

Operations related to peace and security affairs

92. The reform implementation plan developed by the Department of Political and Peacebuilding Affairs and the Department of Peace Operations to monitor reform-related action and commitments from various sources and as a mechanism for continuous improvement was not yet finalized, which may result in challenges in improving concerted delivery on the envisaged benefits of the peace and security reform, as well as in tracking and monitoring reform objectives in the long run.

93. The Board also noted that, in the 2021 staff engagement survey, favourable percentages of all 13 key metrics were below the Secretariat-wide average. Specially, favourable percentages under anti-racism, ethics and integrity, career satisfaction and pride/engagement were 19, 17, 17 and 17 per cent lower, respectively, compared with the Secretariat-wide average. The unfavourable percentage for career satisfaction was 41 per cent. This may indicate that efforts are needed to further improve the business process and foster changes in mindsets so that staff can better adapt to organizational changes. The Board continued to note backlogs in administrative process re-engineering in that, of the 10 pending processes in 2020, 3 remained under development and another 3 were newly identified for improvement. The remaining six pending processes were to be completed by the end of 2022. Such backlogs will negatively affect the efforts to address fragmentation through a “whole-of-pillar” approach and the achievement of the target to make the peace and security pillar more coherent, nimble and effective.

94. Of 59 sanction monitoring experts recruited in 2021, 37, or 63 per cent, had not been selected from the roster, even though the roster had candidates meeting the required expertise. In addition, only 3 of the 59 experts were rated as “excellent” among the four categories of performance (which also included “unsatisfactory”, “satisfactory” and “good”) and 19, or 32 per cent of the total, were rated as “satisfactory”, indicating great room for improvement.

Humanitarian affairs

95. The overall funding targets for country-based pooled funds were not achieved for three consecutive years. Contributions received by country-based pooled funds globally totalled $945.69 million in 2019, $863.46 million in 2020 and $1.13 billion in 2021, with an achievement rate of 55, 47 and 62 per cent of the annual funding targets, respectively. Furthermore, there were significant variances in achievement of the funding targets among various funds, of which two funds had achieved more than 80 per cent of targeted funding from 2019 to 2021, while another three achieved only approximately 30 per cent from 2019 to 2021. For one fund with a low fundraising performance in both 2020 and 2021, the fundraising rate of the humanitarian response plan of the designated country was also significantly low, and a large amount of the humanitarian needs had consequently not been sufficiently addressed.

96. From 2019 to 2021, $564.59 million was allocated to underfunded and neglected crises in 34 countries and regions through five rounds of allocation for underfunded emergencies. The Board noted several cases during the period 2019–2021 in which the justification supporting the final decisions of the Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator on fund allocations were not comprehensively recorded. For example, in the first round of allocations for

underfunded emergencies, totalling $135 million in 2021, the Emergency Relief Coordinator excluded 4 countries from the initial 12 shortlisted as the most highly recommended by the Central Emergency Relief Fund secretariat and added another 4, including 1 not recommended and 1 not supported by stakeholders, to the list. The justification for the above final decisions of the Emergency Relief Coordinator was not well documented.

97. In 2021, of 785 audit reports on country-based pooled funds projects, 102 (13 per cent) highlighted 268 critical risk findings. Furthermore, of 289 audit reports on the top four funds, 84 included 212 critical risk findings. However, the Office for the Coordination of Humanitarian Affairs did not take sufficient remedial action in a timely manner on the relevant projects and implementing partners, as required.

98. Of 50 audit reports on the top four funds issued for the period from 2020 to 2022, some risks were repeatedly brought up in the audit reports, which were either widespread among projects or recurring in the same implementing partners. For example, non-compliance with local or tax laws and excessive use of cash appeared in 20 projects and deficiencies in tendering procedures recurred in all 4 projects carried out by one implementing partner. However, the Office for the Coordination of Humanitarian Affairs had implemented no follow-up measures regarding those issues in order to address them and avoid their recurrence.

Information and communications technology

99. The Board noted that a fragmented approach had been adopted to address cybersecurity challenges, which led to the following key deficiencies: (a) of 949 applications and 646 websites registered in Unite apps, 237 (25 per cent) and 71 (11 per cent), respectively, were not in full compliance with security requirements; (b) 47 per cent of security advisories sent by the Office of Information and Communications Technology were not acknowledged by 106 participating entities; (c) 19 per cent of active staff had not completed a mandatory security training course; (d) security updates had not been installed at 386 servers and workstations in a timely manner; (e) the network segmentation project had not seen concrete progress owing to a lack of close coordination and to other competing priorities; and (f) the risks of and damages resulting from cyberattacks were worsening owing to recurring critical cybersecurity incidents not being addressed in a timely manner.

100. The Board noted that there was no overarching policy for data centre management to define roles, responsibilities and coordination mechanisms for key stakeholders, nor were there guidelines to regulate desired outputs from uninterruptible power system, precision cooling or other non-computing infrastructure components, and that the disaster planning technical procedure had not been updated since 2014 and there was no disaster recovery plan for critical ICT services located in the United Nations Headquarters data centre. Such deficiencies had been underscored through the power outage incident at the data centre on 19 February 2022, which resulted in the United Nations main website, along with other critical department sites, remaining offline for three days.

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

(a) Conduct a comprehensive analysis of the root causes of the significant amount of accumulated surplus and take appropriate action to ensure that the overall fund balance is maintained at an appropriate level in accordance with the relevant policy and guidelines;

(b) Review and clear old or non-functioning fund centres and attribute the unassigned accumulated surplus to the relevant departments;

(c) Comply with relevant cost-recovery policies and guidelines to charge for necessary and reasonable costs only;

(d) Explore the possibility of establishing a productive and economical cost-tracing regime at the service level to ensure that the full cost of each service category can be measured realistically and objectively, with a view to avoiding any excess recovery or insufficient recovery of costs;

(e) Review the management of fund transfers and continue to take appropriate action on remaining balances for business continuity regarding the transferred amounts of the regular budget-related funds, in line with the provisions of relevant regulations and rules;

(f) Formulate additional criteria for future exceptional use of special commitments and continue to take appropriate action on the remaining balances in line with the provisions of the Financial Regulations and Rules of the United Nations;

(g) Request service providers to ensure that the surplus is duly utilized with a view to improving the performance of the resources;

(h) Fully disclose and justify all general temporary assistance positions in the proposed programme budget, especially those exceeding one year in duration, and strengthen the monitoring of long-term general temporary assistance positions;

(i) Provide updated guidance to departments and offices to minimize risks to which the United Nations may be exposed when signing and implementing agreements with donors;

(j) Appropriately deal with the cash pool balances of the three closed country-based pooled fund accounts, properly consolidate the old country-based pooled fund accounts and assign the refunds in a timely manner;

(k) Establish formal procedures to guide the status review of bank accounts and their closing process to improve the efficiency of bank account management;

(l) Proceed to coordinate with associate departments and entities on establishing a separate pool available for associated funds for long-term employee benefits and on improving asset and liability management to match assets to current and future liabilities;

(m) In coordination with third-party administrators, investigate newly identified gender- or age-related mismatches in medical diagnoses on a case-by-case basis, ascertain the root causes for those mismatches and take corrective action, including but not limited to requesting the third-party administrators to strengthen monitoring of compliance with the medical insurance reimbursement process;

(n) Investigate cases of excess reimbursements, identify their root causes and take appropriate corrective action to ensure the validity and accuracy of expenditure of health insurance plans;

(o) Analyse the root causes for those idle assets, update inaccurate equipment records, actively use idle assets and draw up reasonable purchase plans to ensure the improved utilization of resources in the future;

(p) Ascertain the root causes of discrepancies between the stock list and financial records and update relevant data in Umoja to ensure the accuracy of financial records in the future;

(q) Develop overarching guidance on the use of general temporary assistance, in which its definition, budgeting, establishment, duration, review and reporting, reclassification and conversion, among others, are stipulated clearly;

(r) Strengthen monitoring to ensure that all general temporary assistance positions are used in full compliance with related policies and regulations;

(s) Continue to support entities in expediting the process of integrating the remaining UNDP-administered staff into the Secretariat in a progressive and seamless manner in order to ensure that they are recruited, selected and managed in accordance with the Organization's regulatory framework;

(t) Ensure that all positions at the D-1 level and above to be established for a duration of more than one year are sufficiently reviewed and approved by the governing bodies;

(u) Ensure that contracted personnel are performing assignments only when there is no expertise in the Organization and that core functions are performed by regular staff members;

(v) Ensure that the established procedures for personnel selection are well observed and duly documented to ensure transparency, fairness and competitiveness;

(w) Follow a needs-based modality with the local teams for the allocation and shipment of vaccines through the rest of the United Nations System-wide COVID-19 Vaccination Programme, to minimize the need for redistribution and avoid waste;

(x) Ensure that the Department of Management Strategy, Policy and Compliance considers including the recurring deficiencies identified by the oversight bodies, such as long-idle assets, invalid commitments, overuse of low-value acquisitions and the overuse of consultants and temporary appointments, when finalizing the expanded set of key performance indicators, where applicable;

(y) Make further efforts to strengthen the accountability framework for delegation of authority by enhancing the analytical approach to identifying systemic issues hampering the ability of entities to improve their performance against targets and by making concrete recommendations to the relevant entities on ways to improve the Secretariat's performance against the key performance indicators;

(z) Take appropriate action to hold the entities accountable in the exercise of their delegated authority to grant exceptions to human resources administration instructions and to avoid having entities implement exceptions outside their delegated authority in the future;

(aa) Pilot practices for assessing and reporting on programmatic performance using the results available in the strategic planning, budgeting and performance management solution, as well as any relevant evaluation results of the Office of Internal Oversight Services, using the solution as one of the components for the assessment of the performance of senior managers;

(bb) Pilot practices for the consideration of material and recurring compliance issues identified by oversight bodies when assessing senior managers' performance;

(cc) Develop a resident coordinator handbook to provide more guidance to resident coordinators ad interim in delivering the expected results;

(dd) Intensify efforts to expand the resident coordinator pool to include more viable candidates and ensure that all the candidates in the pool are active by carrying out regular pool management, with the aim of filling vacancies in an expeditious manner;

(ee) Call upon the related governing bodies to ensure that the revised efficiency road map is approved in an expeditious manner and clearly indicates the mainstreaming of efficiencies with duly defined efficiency targets and the methodology to capture, calculate and report on the efficiency gains;

(ff) Call upon the related governing bodies to ensure that the accountability system and a tracking mechanism are well in place so that the expected efficiency agenda is achieved in a timely and accountable manner;

(gg) Call upon the related governing bodies to ensure that all efficiency gains achieved from bilateral and inter-entity initiatives, including common back offices and common premises, are fully and duly captured and reported;

(hh) Expedite the finalization of the reform implementation plan and ensure annual reporting against the ongoing milestones established therein to ensure continuous improvement;

(ii) Develop an action plan to continue to promote adaptation and integration in order to facilitate the efficient achievement of the "whole-of-pillar" approach;

(jj) Intensify efforts to ensure greater use of the roster in the recruitment of experts and make efforts to improve the performance of the recruited experts;

(kk) Update the priority list for country-based pooled funds on an annual basis, in accordance with the most recent funding levels and humanitarian needs in country, and bring the chronically and severely underfunded country-based pooled funds to the attention of donors;

(ll) Keep the rationale for the final decision of the Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator regarding the allocations for underfunded emergencies well documented;

(mm) Revise the operational handbook to have it include applicable compliance measures, including remedial action on critical risk findings;

(nn) Take systematic remedial action on the critical risk findings to mitigate the risks and improve the performance of funds in accordance with the revised operational handbook;

(oo) Conduct reviews and analyses of audit findings on a regular basis and take concrete and proactive action to address widespread and recurring issues, with a view to avoiding any systematic risk therein;

(pp) Amend the existing ICT governance structure to integrate information security, indicating clearly, among others, the ownership of processes, roles and responsibilities of relevant entities and reporting lines;

(qq) Ensure that all the stakeholders across the Secretariat commit themselves to the implementation of the seven-point information security action plan in an expeditious manner;

(rr) Enhance centralized technical monitoring of ICT security at the entity level and establish accountability mechanisms to ensure full compliance with the security-related policies and standards;

(ss) Establish policies, procedures or mechanisms to clarify the roles and responsibilities in data centre operations, update the disaster recovery technical procedure in a timely manner and improve its emergency response coordination mechanism.

B. International Trade Centre

102. There were 90 closed implementing partner agreements with outstanding advances amounting to $894,346 as at 31 December 2021, two of which had been closed more than three years previously, with outstanding advances amounting to

$10,091, and 14 had been closed more than one year previously, with outstanding advances amounting to $393,700.

103. The total workforce of ITC was 2,081 persons, including 1,627 consultants and individual contractors (78 per cent), as at 31 December 2021. According to the proposed programme budget for 2021 and supplementary information on the proposed programme budget for 2021, the approved number of consultants and individual contractors supported by the regular budget in 2021 is 29, on the basis of the need for 23 projects. ITC did not develop a formal and comprehensive strategic plan for its workforce in 2021.

104. The midterm reviews of 10 staff members were not conducted and deficiencies in the year-end review procedure for 11 staff members were identified, mainly concerning the lack of individual workplans and the fact that the match between the performance ratings and the task progress percentages was not sufficient.

105. The project-based approach exposed ITC to risks of fragmentation that could prevent it from having a coherent institutional identity. ITC had multiple project offices and premises within the same country and, in some cases, even in the same city. In addition, ITC had not developed office-wide guidelines for opening new project offices.

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

(a) Clear the outstanding advances on 90 closed implementing partner agreements and review those with outstanding advances on a regular basis;

(b) Develop a comprehensive strategic workforce plan covering all types of workforce so as to identify the talents and skills required by ITC;

(c) Take measures to promote the timely completion of midterm reviews and ensure the integrity of the year-end review reports;

(d) Review the current approach to the deployment of physical presence in the field and develop guidelines on opening project offices.

C. United Nations Capital Development Fund

107. Enterprise risk management is used in public and private organizations for improving effectiveness, accountability and efficiency. The UNCDF risk register platform was designated in November 2020 as the consolidated platform for managing all UNCDF risks. Pursuant to the related policy, accountability for enterprise risk management follows the line hierarchy. During its review, the Board noted that 89 per cent of the risks recorded for the financial inclusion practice area had not been modified since the consolidated risk platform had been put into operation. The missing modifications indicate that some parts of the first line of defence do not meet their responsibility and consequently do not manage effectively the risks for projects and programmes under their supervision.

108. The largest expense category and main mode of implementation of UNCDF are grants. In 2021, related expenses amounted to $37.9 million, representing 39 per cent of the total expenses of UNCDF. However, neither grant-specific risks nor mitigation measures were captured in the UNCDF risk register platform.

109. The Board holds that the documents shown in the Atlas grants management module represent mostly project-related documents which were not relevant solely to grants management. The Board noted that document storage in the grants module on the one hand included documents not relevant to grants management and on the other

did not include relevant documents. The Board holds that documents should not be duplicated solely for documentation purposes. Within the current layout, the Board does not see any added value from the attachment tab of the grants module.

110. The Board noted several inconsistencies in the monitoring and evaluation tab of the grants module. The Board holds that such inconsistencies might undermine the monitoring function of the grants module and that the missing entries in milestone completion indicate that the grants module is not the primary tool for grants management.

111. The Board identified one sample in which a higher grant instalment than agreed was paid owing to different currency translations. The related data in the grants module were not complete. The Board holds that UNCDF should ensure that payment details and other relevant information are entered in the grants module on a timely basis so that the grants module can become an effective monitoring tool, which should also be used to explain any deviations.

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

(a) Streamline risk reporting into the existing platform and establish an assurance mechanism to ensure that all risks are recorded and regularly updated in the dedicated risk management platform;

(b) Enhance the assessment of grant-related risks within the established enterprise risk management process;

(c) Revise its document management in the future grants module and related requirements in the operations manual;

(d) Analyse shortcomings in the monitoring and evaluation tab of the grants module and take corrective measures;

(e) Analyse the quality and completeness of the data entered into the grants module and enhance the use of the grants module in day-to-day grants management.

D. United Nations Development Programme

113. UNDP is committed to providing administrative services to United Nations agencies and programmes. These services should be provided under the principle of full cost recovery. The costs recovered by UNDP represent regular resources. The Board noted that prices used to recover costs as agreed in service-level agreements had not been updated upon the signature of the initial service-level agreements. UNDP informed the Board that the latest general price changes, which had occurred in 2012, were communicated in an inter-office memorandum and were related to payroll services for locally and internationally recruited staff. The Board learned that other human resource management-related services had not been updated since 2004. The Board holds that neglecting to perform reviews of the accuracy of prices with regard to cost recovery hinders fulfilment of the obligation to recover costs and thereby achieve the aim of neither making a profit nor incurring a loss.

114. The Board noted that UNDP had not invoiced legal services provided to the Development Coordination Office for 2020 and 2021 until April 2022. The Board also noted that 2 out of 14 country offices reviewed by the Board had not recovered any costs for vehicles rented to the Development Coordination Office in 2021. The Board holds that UNDP should have measures in place for identifying whether amounts were invoiced and recovered to ensure the completeness of cost recovery.

115. The Board noted that the UNDP accountability system had been established in 2008. In 2017, it was complemented by a corporate accountability framework. While

the corporate accountability framework set out responsibilities and accountabilities at the bureau level, an equivalent was lacking at the country office level. The Board holds that given the highly decentralized structure of UNDP, as well as the ongoing clustering of services, it is highly important for a clear set of accountabilities reflecting the current organizational structure to be defined and followed. Recommendations related to accountability that have been issued by the Office of Audit and Investigations, as well as the Board, show that improvements are necessary.

116. In 2020, the Office of Audit and Investigations carried out a performance audit of the Global Environment Facility to assess whether UNDP had put in place adequate governance and controls. UNDP responded that, inter alia, it had updated delegation of authority templates and a roles, accountability, consult and inform matrix for projects implemented by national partners. In addition, regional bureaux were to develop, based on listed areas of focus, internal oversight plans for country office transactions. The Board holds that tools and procedures established in response to the audit could be a good starting point in this context and support provided for oversight could be established for other projects as well.

117. The Board noted that, in accordance with the performance management and development policy, the performance of UNDP staff was evaluated annually, with directors of regional bureaux evaluating the performance of resident representatives. The Board also noted that, two months after the completion deadline, the annual performance review had been completed for only 53 per cent of all directors. In the view of the Board, it is important that performance reviews be carried out through to completion in a timely manner in order that the objectives set out in the UNDP People for 2030 strategy may be achieved. The Board holds that a complete and timely performance review will further facilitate and promote transparency and accountability.

118. The Board reviewed how UNDP integrated sustainability into the organization's procurement policy and strategy and how it organized the procurement function towards sustainability. The Board also reviewed the actual integration of sustainability into the procurement process.

119. The Board noted that UNDP had already had a long tradition of developing green and sustainable procurement initiatives well before the topic gained traction within the United Nations system and before governing bodies asked United Nations organizations to "walk the talk" on sustainability. The Board observed, however, that the lack of a comprehensive and strategic approach to sustainable procurement, including goal-setting and performance measurement, constituted a significant barrier to implementation.

120. The Board reviewed UNDP minimum sustainability specifications and noted that (a) all specifications had not been updated since their development in 2015; (b) some specifications were outdated, as they referred to obsolete standards; and (c) specifications did not address key sustainability risks related to the product category. The Board found that the minimum sustainability specifications were unknown to staff interviewed, and a sample across 44 business units showed that they were not used by requisitioners.

121. The Board noted that specifications used by country offices requested hydrofluorocarbon refrigerants with a high global warming potential. At the same time, UNDP ran projects focused on replacing high global warming hydrofluorocarbon refrigerants with environment-friendly and energy-efficient alternatives and supported countries in the development of phase-down management plans for hydrofluorocarbons. The Board holds that UNDP should procure refrigerants with a low global warming potential.

122. The Board determined that UNDP had incorrectly granted danger pay due to the COVID-19 pandemic. The Board holds that danger pay due to the COVID-19 pandemic should be granted only to a limited group of staff directly involved in operations enumerated by the International Civil Service Commission. UNDP has therefore to provide evidence in every single case that the staff activities could be clearly subsumed under the listed operations. The Board considers it necessary for the related internal controls to be reviewed.

123. In its report on the financial statements of UNDP for the year ended 31 December 2018, the Board identified room for enhancement in various areas of internal financial control. After the issuance of the Board's recommendation, UNDP performed several tasks aimed at enhancing the internal financial control environment. In January 2022, a newly established inter-bureau task force highlighted that the issue of the internal control system had come up recurrently and stated that UNDP should collectively invest in addressing oversight and control issues, as well as a cultural shift in the organization.

124. The Board agrees with that statement and notes that updates at the policy level aimed towards helping UNDP offices implement effective internal controls. However, based on several observations on financial control-related shortcomings, the Board determined that the action taken by UNDP had not resulted in verification of the implementation of actual controls throughout the organization. The Board holds that additional key risk-oriented controls should be identified to ensure the relevance of internal financial control procedures. In addition, UNDP should specify appropriate documentation requirements for confirming that control procedures have been performed.

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

(a) Perform regular reviews of prices used for cost recovery for global services rendered under a contractual arrangement and adjust prices as identified by those reviews to avoid material shortcomings;

(b) Improve complete and timely cost recovery for all services provided to other United Nations entities;

(c) Update the UNDP accountability system and the corporate accountability framework;

(d) Assess whether guidelines for oversight established for Global Environment Facility projects could be applied to other UNDP projects;

(e) Ensure timely completion of the annual performance review;

(f) In line with established good practices and international standards, continue to integrate sustainability into the organization's procurement policy and strategy;

(g) In line with established good practices and international standards, develop and implement a sustainable procurement action plan which includes elements such as, but not limited to, sustainable procurement objectives and targets, clarification of responsibilities and accountabilities with regard to sustainable procurement and a performance measurement framework;

(h) Based on a sustainability risk analysis, develop and continuously update sustainable procurement specifications and regularly communicate those specifications to its requisitioners;

(i) Establish a control mechanism to ensure that country offices request non-hydrofluorocarbon refrigerants, where available and feasible, with an ultra-low global warming potential so as to comply with related provision of UNDP social and environmental standards;

(j) Review its oversight functions and internal controls in place to ensure compliance with the stipulations for danger pay due to the COVID-19 pandemic;

(k) Further enhance its internal financial control system by identifying key controls with the aim of improving data quality and limiting risks of errors and by specifying documentation requirements which evidence the performance of these control procedures.

E. United Nations Environment Programme

126. UNEP developed a results framework in its programme of work and budget for the biennium 2022–2023 for all seven subprogrammes, with 25 quantitative indicators, of which 24 (96 per cent) are presented under the line item “Baselines and targets” with “to be confirmed” as a baseline for December 2021 and figures and numbers as targets appearing next to either “Progress expected by December 2022” or “Progress expected by December 2023”.

127. A total of 110 advance transfers to 63 implementing partners amounting to $5.72 million were not recorded as expenses for more than one year. A total of 73 of those transfers, recorded from 2005 to 2018 and amounting to $1.72 million, had not been expensed over a long period of time.

128. From 2019 to 2021, there were 57 implementing partners with 143 agreements valued at $40.22 million at UNEP. Each of those 57 implementing partners had signed two or more agreements for the same project within a calendar year and 14 of them had signed two agreements for the same project even on the same day. Of the 57 implementing partners, 10 had signed 23 agreements, with a total value of $2.83 million, with UNEP, and it was noted that two or more agreements had been awarded to the same implementing partner with each agreement in an amount not exceeding the threshold of $200,000, but the aggregate amount exceeded $200,000, which would expose UNEP to the risk of weak internal controls and of a non-transparent selection process for implementing partners.

129. Financial information for a project is provided through the enterprise core component (ECC) module in Umoja, other information (e.g., project start and end dates) is provided through the integrated planning, management and reporting module in Umoja and general information (e.g., reporting, application documents and revision documents) is provided through the Programme Information and Management System. Given that an entire project cycle is managed by three information systems simultaneously in UNEP, this resulted in the fragmentation of and inconsistencies in project data.

130. As at 31 December 2021, the budget implementation rates of 71 Global Environment Facility projects with a total planned budget of $205 million were less than 70 per cent. The budget implementation rates of 36 Global Environment Facility projects were below 40 per cent.

131. Through the ethical hacking programme conducted by the Office of Information and Communications Technology, systems credentials to the UNEP server for software development had been identified. On 4 January 2021, the Office informed UNEP that a security vulnerability had been found on one of its servers. Two data sets had not been deleted until the discovery of the security incident. The data contained information on current and former staff members and some non-staff personnel of UNEP and the United Nations Secretariat, including historical official business travel

information from 2015 to 2018 and historical staff individual information as at the end of 2018.

132. There were 1,496 posts created as at 31 December 2021. Among them, 209 posts (14 per cent) were vacant, including 134 Professional and higher posts. A total of 43 of those posts had been vacant for one year or more. The vacancy rate of the Regional Office for West Asia even reached 55 per cent (33 posts, with only 15 encumbered). With regard to the regular budget, the Environment Fund and the overhead trust account (excluding multilateral environmental agreements), the numbers of vacant posts were 19, 66 and 14, respectively, or 99 posts (15 per cent of 646 approved posts in total).

133. A total of 572 purchase orders were placed by way of low-value acquisition, with a total value of $1.82 million, accounting for 48 per cent of the 1,185 purchase orders made from 1 January to 31 December 2021. Among the 572 purchase orders, 484 (85 per cent), with a value of $1.52 million, had occurred where at least two orders were made for similar goods or services.

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

(a) Develop corporate guidance in its monitoring policy on when and how to collect relevant data to establish baselines for programme of work indicators;

(b) Review ageing and not expensed advance transfers to implementing partners on a case-by-case basis and clear those pending advances in coordination with the United Nations Office at Nairobi;

(c) Review 143 agreements with 57 implementing partners on a case-by-case basis, in compliance with the $200,000 threshold;

(d) Review the information gap between the Programme Information and Management System and Umoja and develop a plan for integrated planning, monitoring and reporting;

(e) Establish an internal mechanism to flag, review and report on the slow implementation of Global Environment Facility projects;

(f) Follow the information system's monitoring technical procedure and perform periodic testing and reviews of the system's monitoring operations and capabilities;

(g) Strengthen the monitoring of approved and funded vacant posts and advise hiring managers of the need to fill posts, where applicable, taking into account the availability of funding and hiring freezes;

(h) Monitor the low-value acquisition procurement process to ensure adherence to regulations and rules.

F. United Nations Population Fund

135. The Board observed that there were business units, such as country offices, in which the annual results reporting for 2020 had not been approved or was in an "initiated stage". In addition, there were headquarters division plans for 2021 that had not been approved and cases in which the plans had not yet been initiated and the deadline stated in the guideline had been exceeded. Furthermore, there were country offices at which the monitoring of quarterly milestones for the first and second quarters of 2021 had not been approved.

136. With respect to the overall vacancy rates considered for the 2021 budget, the Board identified cases in which the current rates were higher than those budgeted by UNFPA. Regarding the fulfilment of the vacancy rate for core positions, it was noted that the overall vacancy rate was 15 per cent; nevertheless, there were countries in which the indicator target (2021: 10 per cent) had not been fulfilled and countries with a vacancy rate of higher than 50 per cent.

137. The Board observed cases in the country offices in Lebanon and the Democratic Republic of the Congo in which operations had continued after the expiration of the implementing partner agreement without an amendment to support that. In addition, those agreements had not been uploaded to the partner information management system. The Board also identified cases without a valid implementing partner agreement or amendment associated with the deliveries of goods. Lastly, it was verified that, between January and October 2021, the country office in Lebanon had conducted transactions related to the delivery of goods and programmes without a valid implementing partner agreement, which were formalized later with a signature and uploaded into the partner information management system.

138. The Board observed that the distribution plans did not contain specifications that must be present in accordance with the applicable policy. It identified different irregularities in the preparation, review and uploading in the global programming system of the distribution plans.

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

(a) Strengthen its planning, monitoring and reporting procedures on myResults for all business units, in order to have a process that gives an accurate overview and demonstrates accountability in respect of the indicator target;

(b) Ensure that regional offices implement effective and timely monitoring procedures, in order to provide clearance of the regional office approval after the quality assurance review;

(c) Develop the recording of and easy access to the background information that supports the estimations made to determine vacancy rates, in order to ensure an effective and efficient use of the budgeted resources for personnel costs and to ensure proper staffing for the fulfilment of the planned programmes and activities;

(d) Ensure that the country offices in Lebanon and the Democratic Republic of the Congo verify that the implementing partner agreements and their amendments are approved prior to carrying out the workplan and continuing with the transfer of cash and the delivery of goods;

(e) Ensure that the country offices in Lebanon and the Democratic Republic of the Congo strengthen the periodic monitoring of implementing partner agreements and keep them updated and accurate in the partner information management system;

(f) Ensure that the country offices in Lebanon and Colombia work closely with headquarters to standardize the information contained in the distribution plan with the necessary specifications established in the policy;

(g) Ensure that the country office in the Democratic Republic of the Congo incorporates the documents related to the delivery of supplies (distribution plan, handover of programme supplies and inventory issuance report) with the same item identification registered to ensure the traceability of every supply delivered.

G. United Nations Human Settlements Programme

140. The Foundation non-earmarked fund experienced a deficit of revenue over expenditure during the past five years. Revenue dropped sharply, from $4.9 million in 2020 to $2.6 million in 2021, experiencing a 50 per cent decrease. In 2020 and 2021, the Foundation had negative net assets consecutively. The solvency ratio and liquidity ratios declined from 2017 to 2021. In 2020 and 2021, the ratios were all below one, indicating that the Foundation faced an insolvency and liquidity risk.

141. The worsened cash inflow to the Foundation non-earmarked fund during the past 10 years, and in particular the negative net asset situation of the past two years, led UN-Habitat to take strict austerity measures, while high turnover and a shortage of professional staff restricted its capability to perform the duties well and achieve the expected targets set in the strategic plan for the period 2020–2023.

142. The number of non-staff personnel was more than 5.5 times that of staff members, and accounted for 85 per cent of the UN-Habitat workforce in the past three years. However, UN-Habitat non-staff personnel hiring was project-motivated and decentralized. The headquarters human resources unit can only access non-staff personnel data on an ex post facto basis.

143. As at 31 December 2021, the contracts of 95 non-staff personnel hired through UNDP and 168 non-staff personnel hired through UNOPS had exceeded the maximum of 24 months in a 36-month period as a result of repeated amendments to their contracts. Such staff accounted for 18 per cent and 26 per cent of non-staff personnel hired through UNDP and UNOPS, respectively. Non-staff personnel hired through UNOPS were entitled to extra insurance and paid leave. The Board noted that there was no clear policy or monitoring mechanism in place for non-staff personnel hired through UNDP and UNOPS.

144. UN-Habitat had adopted the integrated planning, management and reporting solution as its main project information management system to manage the life cycle of its projects and programmes since 1 April 2021. The Board noted that, as at 26 April 2022, of the 226 approved projects recorded in the integrated planning, management and reporting solution, 147 projects only had a project title and estimated start and end dates, but no budget data or attachments. The project data for the remaining 79 projects had only limited supporting documentation.

145. The Board noted that UN-Habitat allowed donors to influence the selection of implementing partners, as UN-Habitat stated in its implementing partner policy that the requirement for competitive selection may be waived when the implementing partner was defined in a contribution agreement with the donor. However, there were no further requirements on justifying the waiver from programmatic and financial aspects.

146. The Board further sampled 40 agreements of cooperation and noted that, in 16 cases, the agreements were signed with implementing partners without comparative selection or awarded to the implementing partner with the second-highest score owing to “donor requirement”. For two projects, the reviews of implementing partner selection proposals by the UN-Habitat headquarters implementing partner screening committee or legal office were simplified and bypassed by splitting agreements of cooperation into several agreements with values not exceeding $200,000.

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

(a) (i) Continue to prioritize resource mobilization of core funds and encourage the involvement of the UN-Habitat senior management team to support the Executive Director in this regard;

(ii) Develop a regular report on core fund performance to increase transparency and improve accountability to donors;

(iii) Prepare a report based on surveys and communications with previous, present and potential core funds donors to identify the gap between donor expectations and the current situation;

(b) (i) Prepare a comprehensive austerity action plan and ensure its effective implementation, in order to address the ongoing financial shortage;

(ii) Review its post distribution and human resources regularly to further analyse its employment priorities and resource distribution and to facilitate the selection process when the necessary funding is in place;

(c) Draft an annual plan for non-staff personnel engagement, including a demand analysis and hiring plan to ensure a better control over non-staff personnel;

(d) In consultation with the relevant department at United Nations Headquarters, further clarify the contract limits and scope of entitlements to set up a management mechanism for non-staff personnel hired through UNDP and UNOPS;

(e) (i) Complete the information for "converted" projects and update project information in the integrated planning, management and reporting solution appropriately and in a timely manner;

(ii) Monitor the completeness and quality of integrated planning, management and reporting solution project data at the entity level and include the monitoring and updating of project progress in the solution in the performance evaluation of project managers;

(f) (i) Review its implementing partner policy and standard operating procedures for implementing partner selection to ensure that implementing partner selection is compliant with general principles of fairness, integrity, transparency and effective competitiveness set by the Financial Regulations and Rules of the United Nations; and that any necessary waiver should provide, among others, programmatic and financial justifications and detail the exceptional circumstances;

(ii) Take necessary actions, including but not limited to reviewing its implementing partner policy and standard operating procedures for implementing partner selection, to avoid splitting contracts.

H. United Nations Children's Fund

148. The Board verified that UNICEF borrowed funds, with the authorization of its Executive Board, in spite of the absence of provisions in the UNICEF Financial Regulations and Rules or authorization by the General Assembly.

149. After reviewing the total recorded action points registered as "completed" in the action points module of eTools, the Board noticed that some of these did not have supporting evidence regarding their remedial action and were automatically closed without further action taken by the country offices.

150. After reviewing the IMPACT platform, where several reports are issued, the Board observed that, for both National Committees and country offices, revenue and expenditure reports, cash forecast reports and quarterly financial scorecards were not delivered or provided in a timely manner, as established by the Private Fundraising and Partnerships Division.

151. A total of 88 cases were evaluated, of which 74 (84 per cent) had a standard statement as a compensating control and 63 of those 74 (85 per cent) had no description of the compensating control applied.

152. On the basis of the audit findings, the Board recommends that UNICEF:

(a) Obtain specific authority from the General Assembly in the event of borrowing funds from any source external to the Organization;

(b) Comply in a strict manner with current regulations whenever using financing instruments for fundraising that may raise a liability;

(c) Ensure that the Division of Data, Analytics, Planning and Monitoring develops guidance on the action points for follow-up, in order to ensure that the actions taken have been properly completed in eTools;

(d) Ensure that the Division of Data, Analytics, Planning and Monitoring assesses whether ineligible expenditures reported in the action point should be impaired through the regional harmonized approach to cash transfers focal point, in line with UNICEF policy;

(e) Ensure that the actions taken by the South Sudan and Yemen country offices appropriately address the findings and recommendations resulting from closed assurance activities;

(f) Ensure that the Private Fundraising and Partnerships Division requires National Committees and country offices to improve the number of reports submitted in a timely manner, in accordance with the reporting calendars;

(g) Strengthen and describe the monitoring of conflicting roles assigned when reasonable segregation is not possible, to ensure that compensating control mechanisms are effective.

I. United Nations Institute for Training and Research

153. The Board identified a special purpose grant agreement under the Sustainable Cycles Programme (SCYCLE) with an outstanding balance of 61 per cent, from which it was further observed that this type of project mainly involved the sale of data, and that the Institute had no regulations or procedures to guide or rule this business model or generate budgets or valuate the data.

154. In analysing the data used to produce metrics for key performance indicators, the Board found several issues, such as beneficiaries repeated in the participant’s lists of both 2020 and 2021 events, as well as a high number of beneficiaries whose nationalities were not reported. All of the issues were related to data uploaded into the events management system.

155. On the basis of the audit findings, the Board recommends that UNITAR:

(a) Establish a formal policy for projects involving the sale of data, taking into consideration aspects such as the regulatory instruments and templates to be used and accounting standards to be followed, and how they fit operationally into the UNITAR model;

(b) Improve its budget formulation for proposals for projects involving the sale of data, taking into consideration aspects such as the formal valuation of data and the information to be disclosed in the budget to clearly indicate what the donor pays for;

(c) Proceed in accordance with the policy guidelines for agreements on the acceptance of contributions for specific purposes (“grants-in”) regarding the existing unspent balances for these kinds of projects, taking into consideration the principle of transparency with donors;

(d) Develop measures to prevent and correct issues in the events management system that are causing problems such as beneficiary repetition, non-assignment of gender, unreported nationalities and lack of certification for learning-related events;

(e) Ensure that programme units and/or divisions register the event information in a complete, accurate and timely manner by certifying that a review of the quarterly reporting data was conducted;

(f) Add a centralized and formal control instance of the information in order to improve the reliability of data used for the metrics of the indicators presented by the Institute.

J. Office of the United Nations High Commissioner for Refugees

156. The Board noted that UNHCR did not yet apply a systematic approach to comprehensively evaluate the impact of the decentralization and regionalization reform on the organization as a whole. In the view of the Board, the provided cost tracking sheet and certain established key performance indicators are a first step and should be used and integrated in a comprehensive evaluation to determine the real and tangible benefits of the reform.

157. The Board found that UNHCR was about to conclude the final step to consolidate various documents into a comprehensive accountability framework. The Board was provided with separate draft documents of roles, accountabilities and authorities, including revisions of such documents. The Board found that those documents had not yet been officially promulgated and did not represent a comprehensive framework.

158. The Board concluded that the new results-based management approach and the intended strategic reorientation had not yet been fully incorporated by the operations. The Board sees a need for further communication of the intended reorientation and emphasis on the differences in the new approach to achieve the intended mind-shift in the scheduled period until 2024.

159. The Board found that the reporting functionalities in the new COMPASS tool showed room for improvement. The Board concluded that reports provided so far did not meet the users' expectations and forced them to create self-tailored solutions.

160. The Board found that the business transformation programme, with its large number of software projects, in conjunction with their interdependencies, posed a major challenge for UNHCR. Those interdependencies and the connections through interfaces could significantly delay the success of the business transformation programme. The Board found that the sequence of go-live dates was critical with regard to costs of the integration.

161. The Board noted that the ceiling amount of a 2014 frame agreement, which UNHCR applied for new cloud-based information technology services in 2021, had increased from $3.7 million to $46.6 million over that time period. The frame agreement and contract negotiations could have benefited from a more detailed update of specific services covered and the terms and conditions for ordering cloud services.

162. The Board took note of nine cases of contribution agreements that were not recorded in the correct financial years. The agreements had been negotiated at the field level. The Board holds that, as a result of the regionalization and decentralization reform, country offices will be more involved in acquiring voluntary contributions. Therefore, UNHCR should make efforts to raise the awareness of country offices of

their roles and responsibilities in the process of negotiating and accepting voluntary contributions.

163. The Board found that the cash management and risk management guidelines did not include an assessment of the UNHCR financial risk environment or a structured determination of major areas that required risk mitigation. The guidelines did not comment on the currency risk exposure, nor did they contain explanations of suitable risk mitigation measures. The Board found that the guidelines needed to be updated and complemented.

164. The Board found that UNHCR used an Excel-based self-assessment questionnaire to assemble the information that formed bases for the statement of internal control. The Board found that UNHCR did not use automated system-generated key performance indicators to complement the questionnaire.

165. The Board found that UNHCR had decided to release a subsequent instalment payment on the basis of the partner's project finance reports, even though the remaining unused balance of the previous instalment was greater than 50 per cent. The Board found that UNHCR did not consider the remaining unused balance of the previous instalments, draw conclusions or make comparisons to decide on the release of a further instalment. The Board indicated that the approval and transfer of a subsequent instalment, as requested by the partner, should be subject to more diligent and deeper review in cases where the remaining unused balance exceeded 50 per cent of the previous instalment.

166. The Board identified several implementing partners that had been assigned to raise funds and public awareness of the UNHCR mandate. The partners conducted those tasks, for example, through social media campaigns and public events. The Board noted that the implementing partners did not have the task of delivering any kind of support to persons of concern under the reviewed partnership agreements. The identified partners received funding of $69 million in 2021. The Board holds that the corresponding expenses should be reclassified from implementing partner expenses to a more suitable expense category.

167. The Board found different staffing capacities and volumes of expenses of cash-based intervention programmes in the country offices reviewed. The Board noted that there was no clear correlation between staffing capacities and the volume of expenses of cash-based programmes. The Board holds that UNHCR needs to include benchmarks and parameters in guidance to support staffing capacities in the field.

168. The Board reviewed the efforts of UNHCR to improve its workforce planning management and noted that UNHCR had not yet issued an overarching strategic workforce planning framework as recommended in its report for 2020. In the Board's opinion, workforce planning is of limited value if it is not embedded in an organization-wide strategic workforce framework. Such a framework includes an overarching strategic approach, aligns budget restrictions with future staffing needs and prioritizes organization-wide strategic objectives so that UNHCR can make the best use of resources to accomplish its mandate.

169. The Board identified that practical benchmark indicators to assist managers for human resources planning, monitoring and measurement purposes were still under development. In the view of the Board, such benchmark indicators could broadly guide UNHCR country operations to quantify staffing needs and make the staffing requirements among the operations comparable and more transparent.

170. The main recommendations are that UNHCR:

(a) Follow up on the impact and costs of the decentralization and regionalization reform through completing a comprehensive evaluation to establish if intended results of decentralization and regionalization have been achieved;

(b) Summarize existing documents into one formal accountability framework that defines roles, authorities and accountabilities in the organization in a compulsory manner and interlinks existing guidance;

(c) Reshape its results-based management guidance to ensure the intended reorientation of strategic planning and set a focus on the required mind-shift towards the intended added value of the new approach, the multi-year planning and the practical implementation of COMPASS;

(d) Complement the COMPASS tool with enhanced reporting functionalities based on identified user needs;

(e) Carefully review the interdependencies of upcoming projects and intended go-live dates in the business transformation programme to avoid additional, unnecessary integration and realignment costs and report on the cost-efficiency to its governing bodies in case of further delays and changes;

(f) Ensure that the requirements of the Committee on Contracts for upfront and complete supporting documentation are fulfilled in cases of extension of frame agreements that are outdated in terms of content or age when procuring additional services without going through tendering;

(g) Incorporate an explicit confirmation request in the year-end closure reporting by which private sector partnership offices that carry out local fundraising are requested to confirm to the Division of External Relations the existence or non-existence of donor contribution agreements and pledges signed at the local level;

(h) Update its financial risk management guidelines and specify therein how UNHCR assesses, monitors and mitigates the credit, liquidity and market risks;

(i) Design additional automated key performance indicators that can be objectively calculated on the basis of data recorded in the new enterprise resource planning system and that complement the information used in generating the statement of internal control;

(j) Strengthen the link between performance review and the release of additional instalment payments and enable the documentation of the review in the upcoming software solution;

(k) Review the nature of agreements with implementing partners to identify those agreements that do not fit into the category of implementing partner expenditures;

(l) Expand its guidance on designing field presences by including recommended benchmarks and parameters for determining minimum required staffing levels of cash-based intervention programmes;

(m) Establish an overarching strategy for workforce planning and outline therein how trends could be assessed;

(n) Examine whether to establish sample performance indicators that could be used for monitoring purposes and adapted to the staffing needs of each operation.

K. United Nations Joint Staff Pension Fund

171. The Board observed that, almost 11 months since the start of the implementation of the 2021–2023 strategic plan, the Pension Administration had a list of projects

related to the strategy but lacked a formal action plan that encompassed and allowed for the operationalization of the overall strategic plan. The Board noted that the measures designed for the successful implementation of the strategic plan did not ensure that the defined outcomes were fully achieved as expected, nor was the fulfilment of the objectives established for each pillar set out in the overall strategic plan verified. The Board also noted that the Pension Administration had not carried out an analysis or study in order to determine the critical success factors and the most appropriate metrics for each pillar of the strategy.

172. The Board observed several data-quality issues in the census data on active participants and beneficiaries. There were, among others, records that contained null or erroneous values concerning information on the pensionable remuneration rates, records that contained null or erroneous values related to information on two-track benefits, records of participants who had more than two records in the identifier field, records that had the same date of birth for different children and spouses, records showing that the number of children for each participant might be erroneously registered, records of deceased participants that had no date of death, and records with null values on the last contribution date for active and non-deceased persons.

173. The Board identified that the Pension Administration had not implemented benchmarks to measure the processing times for certain types of benefits contemplated in the Regulations, Rules and Pension Adjustment System of the United Nations Joint Staff Pension Fund. It was verified that the current benchmarks covered only the benefits related to retirement, early retirement, disability, withdrawal settlements and survivor’s benefits due to death in service when they were initial separation cases, while the rest of the benefits and those that did not belong to initial separation cases were not covered.

174. The Board noted that, in the past two budgetary periods (2018–2019 and 2020), expenditure had been lower than appropriations, by 9.47 per cent for the biennium 2018–2019 and by 11.21 per cent for 2020. For 2021, expenditure as at 31 December 2021 followed the same trend from previous years, with underexpenditure of $11.61 million, or 10.44 per cent. With regard to the Pension Administration, the Board observed that other staff costs and general operating expenses had underexpenditure greater than $1 million in 2020. For 2021, other staff costs and general operating expenses had underexpenditure of $2.38 million and $7.43 million, respectively. With regard to the Office of Investment Management, it was noted that general operating expenses had underexpenditure greater than $1 million in 2019 and 2020. For 2021, posts and other staff costs had underexpenditure of $1.91 million and $0.06 million, respectively.

175. The Board verified that fixed-income transactions were approved in the Bloomberg system by an investment officer who was on annual leave during that time. The Board also observed that the Office of Investment Management had not put in place the backup staff necessary to continue operations.

176. The Board observed that the current procedure for brokers and counterparties did not reflect how the evaluation of brokers and counterparties was carried out in practice nor the criteria to remove a broker or counterparty. The Board observed that the procedure did not include which standards should be evaluated in the event of non-compliance by the brokers and counterparties, with the purpose of taking appropriate remedial action. With regard to quarterly monitoring and oversight, the Board identified that only one control was included in the procedure after the selection of the broker or counterparty, namely, the quarterly review comparisons among the list of approved brokers and counterparties and the comparison of their respective pre-approved commission rates with the previous quarterly rates. With

regard to the removal process, there was no clear identification of which criteria should be weighed by the Risk Committee to remove a broker or counterparty.

177. The Board observed that, for foreign exchange transactions, there were brokers considered in the foreign exchange brokerage evaluation report who were evaluated in the first and the second quarter as being satisfactory without presenting foreign exchange transactions or transactions using another type of instrument. For equities transactions, there were brokers considered in the equities brokerage evaluation report who had been assessed as satisfactory; however, those brokers did not perform trades during the evaluated quarters.

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

(a) The Pension Administration finalize and implement a formal action plan for each pillar of the strategy, which includes critical success factors, objectives, activities, projects, milestones, staff responsible, key results indicators and key performance indicators;

(b) The Pension Administration enhance the monitoring and regular review of the workplan to ensure the fulfilment of the strategic plan in the remaining period;

(c) The Pension Administration develop and implement a dashboard incorporating key results and key performance indicators using a business intelligence technology platform to review and monitor performance and assist in taking corrective action, as required;

(d) The Pension Administration develop and implement an action plan in the short term to fix erroneous, missing and incomplete data with business owners of the different processes that input data into the Integrated Pension Administration System, to ensure that the information is accurate for the actuarial valuation and benefits processing by the Fund;

(e) The Pension Administration broaden the established benchmarks for main benefits and other key processes, especially those related to participants and beneficiaries, with the purpose of measuring and knowing the overall performance of the Fund better;

(f) The Fund carry out an analysis of the categories that present the most significant differences between what is approved and what is executed, to improve the budgetary estimates and thus make budget proposals more accurate and better adjusted to actual expenditure made in the execution period;

(g) The Office of Investment Management establish a procedure and adopt the measures necessary to ensure that investment officers on annual leave or who are absent do not participate in or approve any commercial transaction involving the movement of funds and securities transactions, and that backup staff are in place to ensure that there is no interruption in the process;

(h) The Office of Investment Management strengthen and evaluate its current monitoring mechanism over users' accounts in the Bloomberg system in order to keep track of investment officers who can approve transactions through the system during staff leave or absences;

(i) The Office of Investment Management strengthen and update the current procedure for brokers and counterparties, including the standards that brokers and counterparties need to meet, the reports and reviews currently carried out by the risk team and the Risk Committee, and the criteria that need to be weighed and evaluated in the removal of or decision to retain brokers and counterparties;

(j) The Office of Investment Management re-evaluate the current application of the evaluation report used for the evaluation of brokers and counterparties and enhance their monitoring, in order to ensure that these are assessed in accordance with the service or transactions provided during the period under evaluation, with the purpose of measuring actual performance and preventing the Best Execution Committee from making any erroneous decisions.

L. United Nations Office on Drugs and Crime

179. Regarding the cross-cutting commitment to reach gender parity at all levels and the full implementation by the United Nations Office at Vienna of the UNODC strategy on gender equality and the empowerment of women, it was observed that, despite the steady advances made during the period 2018–2021, UNODC had low levels of female representation at the P-4 and P-5 levels.

180. The Board noted continuous extensions of service contracts through the years, as well as the lack of competitive processes when service contract holders were assigned from one project to another.

181. As the Board observed deficiencies in the functionalities of the new integrated planning, management and reporting solution tool, such as maintaining records of staff members involved in the preparation, review and approval of annual project progress reports, it was not possible to obtain evidence of compliance with the time limits imposed by UNODC for the implementation of the tool or evidence reflecting a proper verification of segregation of duties during this process.

182. There were several project revisions with delays in the approvals requested under the related procedures.

183. The Board noted that there were four management instructions that did not consider the use of the integrated planning, management and reporting solution tool. What is more, one management instruction regarding direct approval of programmes and projects had not been updated since 2010. In addition, the UNODC programme and operations guidance map did not contain all of the recent documents and/or guidelines developed to support the programme and/or projects management cycle. Further, the latest changes regarding the integrated planning, management and reporting solution had not been incorporated in the guidance map.

184. It was noted that data centre access logs had not been requested and/or provided on a regular basis to the Information Technology Service with the aim of having them periodically monitored by the Information Technology Service data centre manager.

185. On the basis of the audit findings, the Board recommends that UNODC:

(a) Make the necessary adjustments in the upcoming annual targets on gender parity, including their redefinition if needed, to reach the established indicators;

(b) Ensure that its country office in Peru, in coordination with UNODC headquarters, assesses and adopts measures regarding those service contract holders recruited for a long period of time, in order to avoid an improper use of this contract modality;

(c) Also ensure that its country office in Peru complies with competitive recruitment processes when hiring through the service contract modality in the future, thereby avoiding the extension of such contracts when their holders are assigned from one project to another;

(d) Evaluate, in cooperation with United Nations Headquarters, the feasibility of making improvements to the integrated planning, management and reporting solution monitoring module, with the aim of ensuring an adequate segregation of duties by recording the roles involved in the development, review and approval processes for the annual project progress reports within the solution tool, including their respective dates;

(e) Describe, within its established procedures, the roles involved in the development, review and approval of the annual project progress reports once such improvement is defined within the system;

(f) Ensure that its project revisions are approved in a timely manner, following the current instructions on this matter;

(g) Also ensure that its country offices in Colombia and Peru enhance the approval and workflow process for project revisions within the integrated planning, management and reporting solution tool, with the aim of avoiding delays between those revisions' original end dates and their approval dates, as well as preventing interruptions in the implementation and delivery of the projects;

(h) Review and update its management instructions and internal procedures related to programme and project management, considering the incorporation and use of the integrated planning, management and reporting solution tool, as well as consolidate all the new and relevant information into the programme and operations guidance map;

(i) Make the necessary efforts to ensure that the data centre access logs are received and reviewed quarterly by the Information Technology Service data centre manager.

M. United Nations University

186. The Board noted that all personnel under fixed-term appointments (academic and administrative) were included in the census data for the actuarial valuation, including in instances where academic staff might not be eligible for after-service health insurance owing to the duration of their contracts in accordance with the UNU personnel policy. In this context, the Board noted that there was no clear procedure on how UNU carried out the reasonableness review of the census data pertaining to after-service health insurance, nor whether there was formal documentation of the result of the reviews or documentation justifying the inclusion of all personnel under fixed-term appointments in the census data provided to the actuary.

187. The Board noted that UNU lacked defined criteria for its institutes for determining consultants' fees. In addition, the levels set out in the administrative instruction defining the type of specialization and experience, among other things, had not been specified at most of the institutes.

188. The Board noted that a number of consultants working in UNU institutes had exceeded the maximum period defined in the administrative instruction, and had worked for 24 months or more during a period of 36 months.

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

(a) Develop and implement an official procedure that specifies the review of end-of-service census data between UNU and UNDP, which includes, at the least, the validations and/or controls, the tolerable thresholds for any deviation, the responsible officials and the deadlines associated with this review, as well as details of the communications that will be carried out between UNU and UNDP;

(b) Issue an official report with the results of the review and of the adjustments made to the end-of-service census data each year in order to support the reasonableness review performed in the context of the preparation of the financial statements;

(c) Review the appropriateness of including all academic staff under fixed-term appointments in the after-service health insurance census data;

(d) Ensure that the UNU Centre establishes uniform criteria for the required levels (based on the complexity of the assignment and the degree of specialization, knowledge, qualifications, experience and skills required), in order to standardize the type of work the consultants perform, which shall be documented at the time of formalizing a contract;

(e) Ensure that its institutes, separately, adjust consultants' price ranges considering its budget and country variables, in order to ensure contracts are aligned to market values;

(f) Ensure that the UNU Centre reviews annually the fees determined by each institute for consultants' services, in order to verify that they meet the criteria established at the central level and that the amounts are in accordance with the budgets and values of each country where they operate;

(g) Create a mechanism to ensure that consultants' working periods do not exceed the maximum time allowed by the administrative instruction;

(h) Evaluate the positions under the consultant modality that are recurrent and necessary for the operation of the institutes, in order to ensure that the contract modality used is appropriate.

N. United Nations Office for Project Services

190. UNOPS formally established a growth and innovation reserve in 2019. The level of the reserve reached $111 million at the end of 2021. The Board noted that the current framework, guidelines, procedures and policy issued by UNOPS for the reserve were specific to the Sustainable Investments in Infrastructure and Innovation (S3i) initiative instead of the growth and innovation reserve as a whole. While it had proposed the establishment of an S3i reserve in July 2021, UNOPS had not simultaneously clarified the plan for the rest of the growth and innovation reserve. After the approval of the establishment of the S3i reserve in February 2022, a specific guideline for the growth and innovation reserve was still not in place and, following their separation, the growth and innovation reserve still lacked a new framework and specific planning.

191. The current pricing model used to establish the management fee for individual agreements was developed on the basis of the 2010 financial statements. The Board noted that the annual delivery of UNOPS operations had reached $3,432 million in 2021, an increase of 206 per cent compared with $1,122 million in 2013. However, management expense was $74.7 million in 2021, an increase of only 32.2 per cent compared with $56.5 million in 2013. Meanwhile, surplus from operations had increased significantly over the past few years, achieving a historical level of $63.5 million in 2021. The basis of the current pricing model, which has not been modified since 2013, may no longer be applicable.

192. In 2021, UNOPS established a new bad debt allowance and impairments against six investments under S3i, amounting to $19.11 million. As at 31 December 2021, the total bad debt allowance and impairments against the S3i investments amounted to $39.02 million. It was noted that: (a) debtors' asset information acquired after the valuation analysis was not taken into account; (b) only the debtors' most liquid assets were assumed to be readily available for the debt payments; (c) UNOPS had provided the third party with the unaudited 2021 financial statements of the debtors as the valuation basis; and (d) the estimation of future cash flows from the debtors from 2022 to as far as 2036 was assumed as the basis of the valuation while a material

uncertainty in the debtors' ability to continue as a going concern was highlighted in an independent auditor's reports.

193. UNOPS signed a $5 million agreement with We Are the Oceans (WATO) in 2017, and another $2 million agreement in 2018 with a renamed entity of WATO, Ocean Generation, to help raise awareness of the conservation and sustainable use of marine resources through various activities. The total expenditure of the two entities was $3.12 million. The Board noted that in the partnership with WATO and Ocean Generation, the practices of UNOPS with regard to project initiation, advance payments, unused fund claims and project delivery and remedies taken by UNOPS were not in compliance with the rules and regulations of UNOPS. As at the end of March 2022, UNOPS had not received the repayment of an improperly spent grant of $766,747 identified by UNOPS.

194. UNOPS procured the Mine Action Service project assets used for United Nations mine action projects on behalf of the Secretariat, which were not capitalized and not reported in the statement of financial position, either by the Secretariat or by UNOPS. UNOPS stated that the net book value of the Mine Action Service project assets was $19.5 million as at 31 December 2021 in the notes to the 2021 financial statements. Deficiencies in management were also noted in the disclosure, physical verification and disposal of the Mine Action Service project assets.

195. Thirteen per cent of UNOPS personnel were staff members, while 87 per cent were individual contractor agreement holders. Among the personnel whose positions were at the P-4 and above levels, 58 per cent were individual contractor agreement holders; 40 per cent of "business-critical roles" were taken up by individual contractor agreement holders; 94 per cent of procurement officials were individual contractor agreement holders; and incumbents of the same positions could be either staff members or non-staff personnel, with no indication of whether those positions entailed "inherently United Nations activities".

196. The Board recommends that UNOPS:

(a) Conduct a review of the growth and innovation reserve and take all appropriate measures, including the formulation of a framework, guidelines, procedures and policy, to ensure the effective management of the reserve;

(b) (i) Conduct a thorough review of its existing pricing model, considering the latest financial performance;

(ii) Establish a regular review mechanism to ensure that management fees charged are maintained at a reasonable level;

(c) Continue to collect comprehensive information on the debtors' financial position and asset values, and appraise the debt values with adequate information and coherent methods, so as to ensure the accuracy and credibility of the bad debt allowance and impairment;

(d) Conduct a comprehensive, in-depth and adequate evaluation or review of the decision-making, management and internal control of the We Are the Oceans and Ocean Generation projects, and establish a compliance and accountability mechanism to avoid the recurrence of such issues;

(e) Expedite the negotiation with the United Nations Secretariat to resolve the long-standing project asset management issue, in order to avoid any off-balance sheet items and associated risks;

(f) List clearly in its rules the positions that entail "inherently United Nations activities" and must be filled by staff members to ensure that staff members remain the core human resources of the organization.

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

197. The Board reviewed the food disposal records of the Agency and noted that its 2021 food stock disposals amounted to $265,108. Of the $220,644 in transit losses, the insurance claim supporting documents for only $117,021 had been provided by 17 May 2022. In addition, for the $44,464 in food sweeping losses, discrepancies were identified between the summary sheets and the survey reports/destruction certificates provided by the Agency. Food disposal and loss may lead to waste, and there is currently insufficient evidence to conclude that food disposal is handled in a reasonable manner.

198. The Board noted that, in the REACH system (the UNRWA enterprise resource planning system): (a) for three types of food, namely, canned sardines, sunflower oil and white crystal sugar, with a closing balance of $3.81 million as at 31 December 2021, the batch numbers and best-before dates were not documented; (b) there were two batches of expired food inventory, 5,800 kg valued at $2,183 and 450 kg valued at $348; and (c) the consumption posting date of 41.9 tons of wheat flour valued at $13,000 was after the best-before date. The distribution of food without referring to the best-before date could expose the Agency to the risk of distributing food without enough remaining shelf life or food expiration. Late recording of food issuance could lead to overdue and inaccurate food stock records.

199. The Board noted that eight batches of expired medicines recorded in the e-Health system at eight health centres of the West Bank field office were dispensed to patients after their expiry dates, totalling 69,703 medicines in different units and involving 1,170 patients. In the absence of information on medicine use in the Qalqilya hospital, the Board could not assess whether expired medicines had been issued to patients of the hospital or if medicines that were beyond their best-before dates had been extended with the approval of a pharmacist. In addition, there were some discrepancies noted between the data in the REACH system and the actual data. The dispensing of expired medicines to patients could pose a risk of bringing potential harm to refugees' health and generate community complaints that could undermine the credibility of the Agency.

200. The Board noted that 17 batches of medicine worth $71,985 had already expired at the central pharmacy of the West Bank field office, but were recorded in the system as "available stock" for "unrestricted use". The expiry dates ranged from 31 December 2019 to 30 August 2021. In addition, the West Bank field office provided survey reports for five batches of the expired medicines and donation documents for two batches, but no survey report or written documents concerning write-off for the other 10 batches.

201. The Board noted that delivery was delayed with respect to 34 purchase orders for goods at headquarters and 303 (or 54 per cent) open purchase orders for goods at the Gaza field office in 2021. Furthermore, there was no clearly stated liquidated damages clause in the UNRWA general conditions of contract for procurement. Furthermore, no claims were made to the vendors for liquidated damages for late delivery.

202. The Board enquired about the annual interest rates for the three largest loan products in terms of outreach, in four field offices accounting for 95 per cent of the total, and noted that the minimum interest rate was 24 per cent. The Board also noted that, on average, salaries and other related expenses accounted for 76 per cent of total operating expenses of the Microfinance Department over the past three years. Operating expenses for 2021 decreased by 8.1 per cent compared with 2019, while salaries for senior management increased by 16.5 per cent and salaries for other staff

decreased by 4 per cent. In addition to the high interest rates charged, the Microfinance Department also charged refugees a 1 per cent penalty for overdue monthly instalments. At 2021 year-end, the actual total value of microfinance loans was $25.42 million, or 86 per cent of the adjusted yearly goal. Loan officer productivity continued to decrease from 2019 to 2021.

203. In total, there were 29,111 loans disbursed to clients in 2021. However, young start-up loans were not issued in 2021 and 2020. The Board noted that loans to youth under the microenterprise credit product represented 2.4 per cent of the total loans disbursed in 2021. It is important that the Agency continue to make efforts to diversify its product portfolio, especially by improving the design of loan products for young refugees to meet their specific needs.

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

(a) Enhance the internal control procedures, such as storage and transportation management, to improve the efficiency of food use;

(b) Enhance batch management of canned sardines, sunflower oil and white crystal sugar by flagging them as batch managed items in the REACH system and recording the necessary information accurately, completely and on a timely basis, to ensure the accuracy of the issuance time sequence of food in stock and make food procurement and distribution plans more reasonable;

(c) Take measures to strengthen the management of the whole supply chain system for medicines, especially for expired medicines, from the request to distribution to the patient, to ensure that expired medicines are removed from the available stock in a timely manner so as to absolutely avoid the issuance of expired medicines to refugees;

(d) Integrate the inventory of vaccines and other medicines into the e-Health system for unified management and post hospital medicine use records in the REACH system in a timely and accurate manner in order to facilitate closer and more efficient tracking of actual medicine consumption;

(e) Take measures to strengthen the management of expired medicines, with complete survey reports prepared and accurate electronic records maintained, and that the values of medicines destroyed or donated to other institutions are promptly written off;

(f) Conduct a feasibility study to introduce a clearly stated clause of liquidated damages in contracts for the procurement of goods and services to ensure that the liquidated damages clause is applied in accordance with the procurement manual;

(g) Strengthen the management of purchase orders and accelerate the progress of execution to reduce the delays in delivery;

(h) Work on the reduction of the Microfinance Department's interest rates for the three basic loan products, incorporating considerations of cutting operating expenses and improving its loan productivity;

(i) Continue to expand its outreach to young refugees.

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

205. The Board observed that, of the total project budget planned for 2021 ($585.21 million), $43.26 million was not mapped intermediately in the annual workplan owing to constraints within the current enterprise resource planning system and manual interventions in the "Project Delivery". Furthermore, the Board detected that, of the $43.26 million, there was $37.82 million for which there were reported expenses during the year 2021.

206. The Board reviewed the status of the financial findings arising from project partner audits, as at 31 December 2021, and noted that there were projects from 2012 to 2020 that had audit financial findings not yet resolved by the Entity, for a total amount of $1,319,075.

207. The Board detected weaknesses in the monitoring of procurement activities at UN-Women due to lack of readily available reliable reports, and also a need for systems integration and more efficient data consolidation.

208. The Board recommends that UN-Women:

(a) Introduce, as part of the ongoing development of the new enterprise resource planning system, "Quantum", a stronger interface between the UN-Women corporate systems for financial management and the system for planning and results management, with the aim of reducing manual interventions, and provide greater systemic flexibility to the end users in order to ensure a complete alignment of approved annual workplan activities with financial resources used;

(b) Address the partners' audit financial findings in a timely manner, with the aim of generating certainty regarding the proper use of the resources transferred to the partners;

(c) Resolve the long-standing partners' audit financial findings in a swift manner, in order to clarify the use of the funds transferred to partners in prior years;

(d) Strengthen its internal controls with the aim that the Procurement Section at headquarters improve on its monitoring process for procurement activities based on risk, ensuring that solicitation methods are used appropriately and that purchase orders are issued in accordance with the contracts established with suppliers;

(e) Coordinate with business owners and the future users of the new enterprise resource planning system, "Quantum", of the procurement process, to raise system requirements in order to generate standard, timely and useful reports for users, which capture global data for all stages of the procure-to-pay cycle.

Q. International Residual Mechanism for Criminal Tribunals

209. A scenario-based workplan was received by the Board, but it was still in draft form, and no updates had been incorporated to address the 2021 status of the judicial procedures or the expected situation for 2022 onwards. Furthermore, the provided document did not contain clear estimates, target dates or responsibilities with regard to key issues. Finally, the Board did not find measures derived from the lessons learned from the completion strategies and processes of the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda.

210. The Board observed that the entity did not manage relevant information regarding the vacant positions, which would be useful for their planning, such as the period during which the positions had been vacant and their current status (blocked,

undergoing a recruitment process, deserted, used for loaned positions, abolished or other).

211. The Board observed that, from a sample of 70 capitalized assets, 18 information and communications technology assets were stored in the warehouse without having ever been used. Of these, three assets had been acquired during 2020, totalling \$111,968, and 15 assets had been acquired during 2021, totalling \$260,073.

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

(a) Develop a long-term organizational strategy, including key issues, such as premises, equipment and personnel, involving the three organs that comprise the Mechanism;

(b) Maintain complete and updated information regarding the status of the vacant positions;

(c) Improve its planning and documentation of the information technology equipment needs, requirements and implementation, with the aim of using these assets in the short term and thus making full use of their capabilities within their total allocated useful life.

V. Status of implementation of outstanding recommendations

213. In every audit report, the Board analyses various issues during the audit and makes recommendations. In its resolution 76/235 A, the General Assembly 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.

214. 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 48 per cent in 2020 to 53 per cent in 2021.

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	*2021*	*2020*	*2019*	*2021*	*2020*	*2019*	*2021*	*2020*	*2019*	*2021*	*2020*	*2019*	*2021*	*2020*	*2019*
United Nations (Vol. I)	278	279	224	98	96	49	160	150	153	–	2	13	20	31	9
United Nations peacekeeping operations	89	116	103	53	42	24	22	52	59	9	7	14	5	15	6
ITC	21	23	17	8	7	4	12	12	13	–	–	–	1	4	–
UNCDF	7	9	8	7	9	8	–	–	–	–	–	–	–	–	–
UNDP	56	57	51	38	40	29	16	13	20	1	1	–	1	3	2
UNEP	85	84	35	58	35	11	25	47	21	2	1	3	–	1	–
UNFPA	30	33	27	24	26	22	6	6	5	–	–	–	–	1	–
UN-Habitat	88	66	38	35	3	3	48	63	34	1	–	–	4	–	1
UNICEF	44	96	80	37	72	33	5	22	40	–	–	1	2	2	6
UNITAR	11	17	9	8	14	7	2	3	2	–	–	–	1	–	–

Entity	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		
	2021	*2020*	*2019*	*2021*	*2020*	*2019*	*2021*	*2020*	*2019*	*2021*	*2020*	*2019*	*2021*	*2020*	*2019*
UNHCR	80	100	96	43	56	48	23	35	43	1	1	2	13	8	3
UNJSPF	41	44	45	26	30	33	14	13	12	–	–	–	1	1	–
UNODC	29	41	50	13	25	21[a]	12	15	28	–	–	–	4	1	1
UNOPS	45	39	48	24	13	32	19	24	15	–	–	1	2	2	–
UNRWA	51	47	46	29	25	27	21	19	17	–	1	–	1	2	2
UNU	11	37	32	7	31	17	4	4	15	–	–	–	–	2	–
UN-Women	29	17	22	21	9	15	8	6	6	–	–	–	–	2	1
IRMCT	32	29	19	13	8	7	10	12	7	5	9	2	4	–	3
Total	**1 027**	**1 134**	**950**	**542**	**541**	**390**	**407**	**496**	**490**	**19**	**22**	**36**	**59**	**75**	**34**
Percentage				**53**	**48**	**41**	**39**	**44**	**52**	**2**	**2**	**4**	**6**	**6**	**4**

Source: Audit reports of the Board.

[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 a revaluation of recommendations completed in 2019. In the concise summary for 2019, the reported figure was 22.

215. As at 31 December 2021, the 18 entities covered in the present report had accumulated a total of 426 outstanding recommendations (407 under implementation and 19 not implemented), as shown in table 9 above. The Board noted that 55 per cent of those 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 IRMCT) 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.

216. Table 10 shows the percentage of fully implemented recommendations by entity for 2019, 2020 and 2021 based on the figures provided and presented in table 9. For five entities,[16] the implementation rate was 50 per cent or less. Of those entities, four (United Nations (Vol. I), ITC, UN-Habitat and IRMCT) had an implementation rate below 50 per cent over the past three years. Although the overall rate of implementation increased by 5 per cent from 2020, the individual implementation rate was lower than the previous year for six entities (UNDP, UNITAR, UNHCR, UNJSPF, UNODC and UNU).

217. The decline in the implementation rate and delays in the implementation of the recommendations for some entities are the result of several factors, one of which is 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 to the existence of recommendations with long periods of execution.

218. 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.

[16] United Nations (Vol. I), ITC, UN-Habitat, UNODC and IRMCT.

In such cases, the overall status of the recommendation is listed as being under implementation.

219. During the past year, for several entities, a third factor contributing to the decline in the implementation rate and delays in the implementation of the recommendations was the current process of migration to a new enterprise resource planning system, which has postponed the implementation of the associated recommendations.

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*					
				2021		*2020*		*2019*	
Entity	*2021*	*2020*	*2019*	*(number)*	*(percentage)*	*(number)*	*(percentage)*	*(number)*	*(percentage)*
United Nations (Vol. I)	278	279	224	98	35.25	96	34.41	49	21.88
United Nations peacekeeping operations	89	116	103	53	59.55	42	36.21	24	23.30
ITC	21	23	17	8	38.10	7	30.43	4	23.53
UNCDF	7	9	8	7	100.00	9	100.00	8	100.00
UNDP	56	57	51	38	67.86	40	70.18	29	57.00
UNEP	85	84	35	58	68.24	35	41.67	11	31.43
UNFPA	30	33	27	24	80.00	26	78.79	22	81.48
UN-Habitat	88	66	38	35	39.77	3	4.55	3	7.89
UNICEF	44	96	80	37	84.09	72	75.00	33	41.25
UNITAR	11	17	9	8	72.73	14	82.35	7	77.78
UNHCR	80	100	96	43	53.75	56	56.00	48	50.00
UNJSPF	41	44	45	26	63.41	30	68.18	33	73.33
UNODC	29	41	50	13	44.83	25	60.98	21[a]	42.00
UNOPS	45	39	48	24	53.33	13	33.33	32	66.67
UNRWA	51	47	46	29	56.86	25	53.19	27	58.70
UNU	11	37	32	7	63.64	31	83.78	17	53.13
UN-Women	29	17	22	21	72.41	9	52.94	15	68.18
IRMCT	32	29	19	13	40.63	8	27.59	7	36.84
Total number	**1 027**	**1 134**	**950**	**542**		**541**		**390**	
Overall percentage					**52.78**		**47.71**		**41.05**

Source: Audit reports of the Board.

[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 a revaluation of recommendations completed in 2019. In the concise summary for 2019, the reported figure was 22.

VI. Management of implementing partners

220. The Board noted that in the tenth progress report on accountability: strengthening accountability in the United Nations Secretariat (A/75/686), the Secretary-General identified implementing partners as one of the 16 critical areas of strategic and operational risks that emerged from the exercise. Moreover, the Secretary-General highlighted implementing partners as one of the six critical risks

related to fraud and corruption. Along the same lines, an analysis of the investigation reports carried out by the Office of Internal Oversight Services for the period 2014–2019 identified implementing partners as one of the most common sources of fraud and corruption.

221. In response to that concern, the Board has continued its review of the monitoring of projects and implementing partners. Given the critical role of implementing partners for the United Nations entities to deliver on their mandates, as well as the widespread number of observations on this matter contained in the 2020 audit reports, the Board decided to include a special section on implementing partners in the present report.

222. The information pertaining to the present section has been collected through the audit reports of the Board and a questionnaire issued to the entities. The overview of the main results, as well as the audit findings concerning implementing partners, is presented in the present section.

A. Governance of implementing partners

223. An implementing partner is an entity that is responsible and accountable for ensuring the proper use of agency-provided resources and the implementation and management of the intended programme or project as defined in the workplan. An implementing partner can be a governmental or non-governmental agency, or even a United Nations agency that is executing the work.

224. As currently conceived, the term “implementing partner” exhibits some terminological complexity, because it not only implies those three or four broad categories of partners, but also the lack of a common denomination between the entities of the United Nations system to refer to them: some refer to “cooperating partners”, others to “strategic partners”, “operating partners” or “responsible partners” and yet others to “implementation partners” or “principal recipients”. Moreover, within the entities, additional distinctions are observed, for example, UNDP and UN-Women distinguish between implementing partners, when having the responsibility for the whole project, and “responsible parties”, when they are responsible for part of the project.

225. The United Nations entities have a vast mandate to fulfil. They need to work in different areas of the world and continuously provide services and assistance. Thus, regardless of the terminology, the role of the implementing partners is crucial to the United Nations agencies, funds and programmes to effectively achieve those mandates.

226. In the concise summary of the principal findings and conclusions contained in the Board’s reports for the annual financial period 2017 (A/73/209 and A/73/209/Corr.1), it was shown that 13 of the 17 United Nations entities that were part of the report had used implementing partners to execute their mandate: United Nations (Vol. I): Office for the Coordination of Humanitarian Affairs, ITC, UNCDF, UNDP, UNEP, UNFPA, UN-Habitat, UNICEF, UNITAR, UNHCR, UNODC, UN-Women and UNOPS. They allocated a substantial amount of their financial resources to implementing partners to carry out the activities. The amounts transferred ranged between 3 per cent (ITC) and 50 per cent (UNEP) of their total expenditure.

227. To show the current panorama and reflect the trend in this matter between 2017 and 2021, the eight entities that appear as the most recurrent users of implementing partners were asked to report the total number of implementing partners engaged during 2021 and the amount of resources that they allocated to them in the same

period, including as a percentage of the entity's total expenditure. The comparison is presented in table 11.

Table 11
Comparison of implementing partners of main United Nations users between 2017 and 2021

	Number of implementing partners		*Amount transferred to implementing partners as a percentage of total expenditure*	
Entity	*2017*	*2021*	*2017*	*2021*
UN-Women	781	1 622	19	29
United Nations (Vol. I): Office for the Coordination of Humanitarian Affairs	919	810	16	23
UNDP	942	3 554	45	30
UNEP	969	1 683	50	47
UNHCR	1 035	1 659	39	29
UNFPA	1 387	1 651	29	33
UNOPS	2 204	5 138	15	8
UNICEF	9 566	9 322	35	31

Source: Information provided by the different entities.

228. As table 11 shows, the total number of implementing partners for these eight major users has grown from 17,803 in 2017 to 25,439 in 2021, while the overall percentage of their total expenditure transferred to implementing partners slightly decreased from 31 per cent in 2017 to 29 per cent in 2021. One of the eight entities transferred more than 40 per cent of its total expenditure to implementing partners during 2021, which was UNEP (47 per cent).

229. In terms of actual expenditure, four organizations allocated more than $1 billion to implementing partners in 2021: UNHCR ($1.3 billion); United Nations (Vol. I): Office for the Coordination of Humanitarian Affairs ($1.6 billion); UNDP ($1.6 billion); and UNICEF ($2.1 billion). In total, approximately $8 billion was transferred during 2021 to implementing partners by the reviewed entities.

B. Oversight of implementing partners by United Nations entities

230. The Board noted that in its report on the review of the management of implementing partners in United Nations system organizations (JIU/REP/2021/4), the Joint Inspection Unit stated that irrespective of the understanding or definitions of implementing partners among United Nations entities, the indisputable reality was that, for any donor, the United Nations organization would always be the principal implementing actor and the only one responsible for achieving the intended results.

231. Therefore, United Nations entities need to ensure the effective selection, monitoring and assessment of implementing partners for effective delivery of their mandate through such partners. This idea has been highlighted by the Secretary-General in the tenth progress report on accountability: strengthening accountability in the United Nations Secretariat (A/75/686), referring to the update of the guidelines for implementing partners. It was stated in paragraph 61 of that report that the guidelines on the preparation of agreements with implementing partners were being enriched to include additional elements, such as performance

monitoring and assurance activities and mandatory clauses on anti-corruption and anti-fraud to be included in contractual agreements with partners.

232. In response to that concern, the Board has reviewed the oversight of implementing partners by United Nations entities in 2021. The eight entities selected for review in the present section were asked to report on the amount of resources that they allocated to implementing partners in 2021; the percentage that was planned to be subject to assurance activities; the percentage on which assurance activities were actually executed from that; and the percentage of those assurance activities that were conducted by third parties. The results are presented in table 12.

Table 12
Oversight of implementing partners through assurance activities in 2021

Entity	*Amount planned as subject to assurance activities as a percentage of the total amount transferred to implementing partners*	*Percentage of the planned amount on which assurance activities were actually executed*	*Percentage of the assurance activities executed that was conducted by third parties*
UN-Women	54	92	100
United Nations (Vol. I): Office for the Coordination of Humanitarian Affairs	6	81	0.69
UNDP[a]	79	92	100
UNEP	–	–	–
UNHCR	81	84	100
UNFPA	85	95	79
UNOPS	44	47	100
UNICEF	78	102	63

Source: Information provided by the different entities.
[a] Data as at 12 July 2022.

233. The Board noted that of the total amount transferred to implementing partners in 2021 by the eight major users, excluding UNEP, 61 per cent was planned to be subject to assurance activities, approximately 85 per cent of which was actually executed. That means that, in terms of total actual expenditure, only $4 billion of the $8 billion transferred to implementing partners during 2021 was actually subject to assurance activities.

234. Two of the eight entities reviewed had planned less than 50 per cent of the total amount allocated to implementing partners during 2021 as subject to assurance activities; UNOPS (44 per cent) and United Nations (Vol. I): Office for the Coordination of Humanitarian Affairs (6 per cent). In the case of UNEP, the entity explained that there was no system in place to keep track of the activities and data related to assurance activities for implementing partners.

235. Finally, the Board noted that around 77 per cent of the total executed assurance activities were carried out by third parties and not directly by the entities. This highlights the importance for the United Nations entities of having proper control of the information related to the monitoring of the implementing partners’ performance.

236. Regarding this matter, a vast number of observations had been made by the Board, reinforcing the need to strengthen the oversight of implementing partners by United Nations entities. For instance, in the case of UNEP, in 2021 seven recommendations ranging from 2015 to 2020 relating to deficiencies in implementing partner management had been pending: six were considered implemented during the

current audit process and one was still under implementation. In addition, in the 2021 audit report on UNEP, the Board had three new findings on the matter of implementing partners, related to ageing advance transfers not expensed; insufficient review process for implementing partners; and inadequate comparative analysis and due diligence procedures for the selection process for implementing partners.

237. In the case of UNOPS, six new findings have been presented in the 2021 audit report regarding implementing partner management issues. One of them is related to defects in the management of the We Are the Oceans and Ocean Generation projects, while five of them refer to different problems with the Mine Action Service project, including insufficient monitoring; right-of-use agreements without a legally binding signature; no loaned asset status report collected from the implementing partner; and unreturned assets on loan registered as lost cases.

238. With regard to UNICEF, seven recommendations related to implementing partners ranging from 2018 to 2020 had been pending: six of them were considered implemented during the current audit process and one was considered still under implementation. Additionally, two main findings regarding implementing partner management have been presented in the 2021 audit report, on the closure of action points without evidence and the absence of end-user monitoring of supplies in different country offices.

239. In the case of United Nations (Vol. I): Office for the Coordination of Humanitarian Affairs, 11 recommendations related to implementing partners ranging from 2015 to 2020 had been pending: three of them were considered implemented during the current audit process, two were considered overtaken by events and six remain under implementation. Additionally, in the 2021 audit report, various findings had been highlighted: insufficient remedial actions for country-based pooled funds projects and their implementing partners with critical risks; lack of follow-up measures for country-based pooled funds projects and their implementing partners with widespread and recurring issues; deficiencies in implementing partner management; and deficiencies in financial spot checks and audits for selected country-based pooled funds projects.

240. In the case of UNDP, some aspects of the recommendation from the audit for 2019 regarding the need to further enhance its continuous efforts to raise fraud awareness with external partners are still under implementation. Additionally, a new observation related to the accounting period for expenses reported by implementing partners has been pointed out in the 2021 audit report by the Board.

241. Regarding UNHCR, four recommendations related to implementing partners from the audit for 2020 were pending: three of them were considered implemented during the 2021 audit process and one was considered still under implementation. Additionally, several new findings regarding implementing partnership management have been expressed in the 2021 audit report, including partnership agreements signed after the implementation period commenced; lack of automation of the accounting process of the implementing partner's first instalment; weaknesses in the process of transferring subsequent instalments to partners; and lack of compliance with submission deadlines with regard to partner financial reports. It seems important to highlight that regarding fraud and presumptive fraud, UNHCR specifically reported that from the 66 cases of substantiated fraud during 2021, 21 of them were committed by implementing partners.

242. In the case of UN-Women, three recommendations referring to implementing partners from the audits for 2019 and 2020 were pending: two of them were considered implemented during the 2021 audit process and one was considered still under implementation. Additionally, two main findings have been observed in the 2021 audit report, one regarding unresolved financial findings of partners' audit

reports and the second related to misrecording of funding authorization and certificate of expenditure forms in accounting from implementing partners in different country offices.

243. Regarding UNFPA, nine recommendations related to implementing partners from the audits for 2019 and 2020 were pending: six of them were considered implemented during the 2021 audit process and three were considered still under implementation. Additionally, for two consecutive financial periods, the Board had included an emphasis of matter because of the non-compliance of the plan of assurance activities, which was overcome in 2021. Several new findings related to implementing partner management have been expressed in the 2021 audit report, including incomplete data on implementing partners' assessments of the assurance plan 2021; incompleteness and absence of uploading of implementing partners agreements to the UNFPA system; inaccuracies in workplan progress reports; and inadequate management and monitoring related to workplans and distribution plans for programme supplies.

244. All the recommendations that the Board has formulated on the matter of the management of implementing partners can be found in detail in each audit report for the eight reviewed entities. Nonetheless, it seems relevant to recall two of the main recommendations that the Joint Inspection Unit formulated in its report on the review of the management of implementing partners in United Nations system organizations (JIU/REP/2021/4), according to which the executive heads of United Nations system organizations should incorporate implementing partner risks into their organization's risk management frameworks by the end of 2023, and should develop, by the end of 2024, key performance indicators for the management of implementing partners and establish systems to collect, monitor and report the performance data.

VII. Acknowledgement

245. 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

21 July 2022

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.