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Financial reports and audited financial statements, and reports of the Board of Auditors

Concise summary of the principal findings, conclusions and recommendations contained in the reports of the Board of Auditors for the annual financial period 2022

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, conclusions and recommendations contained in the reports of the Board of Auditors on its audit of accounts for the year ended 31 December 2022.

* A/78/150.

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Letters of transmittal

Letter dated 26 July 2023 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, conclusions and recommendations contained in the reports of the Board of Auditors for the annual financial period 2022.

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

Letter dated 26 July 2023 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-eighth session.

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

Contents

Abbreviations

GEF	Global Environment Facility
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, conclusions and recommendations contained in the reports of the Board of Auditors for the annual financial period 2022

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, conclusions and recommendations 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 17 of the 18 entities listed in 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.

Key findings and recommendations of the Board of Auditors concerning United Nations peacekeeping operations for the 12-month period from 1 July 2021 to 30 June 2022 have not been included in the present report and can be found in chapter II of document A/77/5 (Vol. II).

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, conclusions and recommendations identified in the reports of the Board of Auditors for 2022, addressed to the General Assembly, on 17 of the 18 entities listed in 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. To better support the General Assembly in its governance role, the Board also includes the financial figures for United Nations peacekeeping operations in the present report to provide a more comprehensive picture. Key findings and recommendations of the Board concerning peacekeeping operations are not included in the present report and can be found in chapter II of document A/77/5 (Vol. II). The General Assembly endorsed those recommendations in its resolution 77/253 B.

3. The Board has 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, receivables, employee benefits liabilities, revenues, expenses and fraud and presumptive fraud. In addition, the Board has reported on the status of implementation of outstanding recommendations in section V of the present report. Furthermore, a special section covering financial and budget management has been included in the present report (section IV). Related findings in that section were reported from the perspective of the soundness of the financial and budget policy framework as well as its implementation. Five focus areas were then identified for further improvement. In this year’s reports, the Board has also paid particular attention to the management of risks, notably in peacekeeping operations, UNDP and UNHCR.

II. General matters regarding the audited entities

A. Audit opinions

4. 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.

5. All 18 entities received unqualified audit opinions (for a definition of the types of audit opinions, see annex II).

6. 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

Financial overview

7. The Board analysed the financial statements in 17 audited entities[1] and noted a slight decrease in assets. Among those entities, 10 experienced a decline in assets,

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

including UNOPS, which saw a $1.5 billion (29 per cent) decrease compared to the previous year, owing mainly to the decrease in project cash advances received. Meanwhile, seven entities, such as UNHCR, experienced an increase in total assets, with growth of $746 million (16 per cent), primarily driven by the surge in voluntary contributions.

8. Regarding total liabilities, all 17 audited entities experienced a decrease, owing primarily to the actuarial gain on employee benefits liabilities. For example, United Nations (Vol. I) witnessed a significant decrease in liabilities, with a reduction of $1.3 billion (16 per cent) compared with the previous year, which is mainly due to the decrease in employee benefits liabilities by $1.3 billion.

9. In terms of total revenue, 6 entities experienced an increase, while the remaining 11 entities experienced a decrease. Notably, UNICEF achieved substantial growth, with a $1.76 billion (21 per cent) increase compared with the previous year, which is mainly due to the increase in earmarked voluntary contributions for the Ukraine refugee response and to support UNICEF activities in Afghanistan. The total revenue of UNHCR increased by $818.4 million (16 per cent) because of the increase in voluntary contributions for the Ukraine crisis. Conversely, United Nations peacekeeping operations saw a decrease in total revenue, with a decline of $442 million (6 per cent), which is mainly due to the decline in assessed contributions for the completion of the physical closure and liquidation of the African Union-United Nations Hybrid Operation in Darfur in 2022.

10. The total expenses of 14 entities increased in 2022, while the other 3 entities experienced a decrease. UNICEF had significant expense growth, with an increase of $1.4 billion (20 per cent) compared with the previous year, primarily driven by synchronous growth in revenue and increased programmatic implementation and humanitarian activities in response emergencies, such as the refugee crisis in Ukraine. The expenses of UNHCR increased by $669.3 million (14 per cent), owing to increases in cash assistance to beneficiaries, salaries and employee benefits, implementing partnership expenses and travel expenses. However, United Nations peacekeeping operations managed to decrease their total expenses, with a reduction of $174 million (2 per cent), mainly for employee salaries, allowances and benefits.

11. Overall, these entities displayed a healthy financial performance in 2022. The status of assets, liabilities, revenue and expenses for the 17 entities as at 31 December 2022 is shown in table 1.

Table 1
Comparison of revenue/expenses and assets/liabilities of different entities
(Thousands of United States dollars)

	Total revenue		*Total expenses*		*Total assets*		*Total liabilities*	
Entity	*2022*	*2021*	*2022*	*2021*	*2022*	*2021*	*2022*	*2021*
United Nations (Vol. I)	7 348 269	7 554 473	7 712 972	6 683 713	11 662 841	11 723 906	6 953 643	8 208 937
United Nations peacekeeping operations	6 768 863	7 210 428	7 091 307	7 265 454	4 740 218	4 897 172	4 014 679	4 503 886
ITC	155 946	160 509	158 451	150 872	331 071	392 628	339 103	436 367
UNCDF	202 001	136 621	116 211	97 105	417 342	333 038	19 448	23 606
UNDP	5 322 106	5 636 865	5 347 552	5 384 859	14 822 233	15 150 882	3 072 740	3 574 301
UNEP	954 159	750 110	651 319	592 373	3 145 273	2 833 780	486 539	555 393

Entity	Total revenue		Total expenses		Total assets		Total liabilities	
	2022	2021	2022	2021	2022	2021	2022	2021
UNFPA[a]	1 531 969	1 617 622	1 442 843	1 323 551	2 626 283	2 592 829	459 918	577 478
UN-Habitat	187 850	204 079	203 478	172 797	498 686	567 157	123 054	187 097
UNICEF	10 329 055	8 569 586	8 541 219	7 135 931	18 980 615	19 031 685	6 619 188	8 703 836
UNITAR	43 873	56 813	41 361	40 129	76 919	73 784	21 966	26 848
UNHCR	6 072 558	5 254 206	5 484 401	4 789 738	5 339 704	4 593 653	1 466 015	1 770 529
UNODC	430 649	417 775	405 585	356 520	1 324 009	1 277 198	376 300	395 659
UNOPS	1 224 424	1 208 734	1 222 875	1 145 198	3 676 678	5 172 954	3 352 641	4 812 586
UNRWA	1 190 227	1 283 676	1 312 390	1 206 677	888 862	971 638	902 272	1 073 125
UNU	54 187	107 005	146 107	78 154	521 509	612 801	66 836	70 681
UN-Women	671 066	681 468	540 251	530 742	1 324 696	1 205 685	134 093	173 562
IRMCT	80 243	87 742	85 716	92 147	225 092	230 370	136 299	173 055

Source: Financial statements of the individual entities.

[a] Differences between the figures reported in the concise summary for 2021 (A/77/240) and the same figures for 2021 in the present report are due to restatements made by management.

Net results

12. The Board compared the net results of the financial performance of the 17 audited entities at the end of 2021 and 2022, as presented in table 2. It was noted that eight entities concluded the financial year with a surplus, while nine entities reported a deficit. Among those nine entities, IRMCT had a deficit for the fourth consecutive year, while United Nations peacekeeping operations experienced a deficit for the second consecutive year. The remaining seven entities (United Nations (Vol. I), ITC, UNDP, UN-Habitat, UNRWA, UNOPS and UNU) recorded a surplus in the preceding year.

13. The deficit of $365 million in the financial statements of United Nations (Vol. I) in 2022 was due primarily to the increase in grants and other transfers, as well as the increase in expenses related to travel and other operating expenses since the recovery from the coronavirus disease (COVID-19) pandemic. The deficit of $322 million of United Nations peacekeeping operations in 2022 resulted from continuous growth in other operating expenses and supplies and consumables, as well as the decrease in assessed contributions. In the cases of UNDP and ITC, the deficit of $25 million and $2.5 million, respectively, were both due to the decline in voluntary contributions. UN-Habitat recorded a deficit of $16 million, which was primarily attributed to a higher implementation rate of earmarked funds and timing differences in revenue recognition. The deficit of $122 million in UNRWA was a result of lower cash contributions revenue. For UNU, the deficit of $92 million in 2022 was due to an adverse change in the fair value of the investments of the UNU Endowment Fund and a decrease in voluntary contributions. The deficit of $29 million for UNOPS was mainly due to the recognition of the impairment of Sustainable Investments in Infrastructure and Innovation investments as well as a net finance loss. IRMCT reported a deficit of $5.47 million, owing primarily to deductions in contributions originated by the cancellation of prior-year commitments from Member States and a decrease in the budgeted revenue.

14. In general, the Board noted that 13 entities experienced a decline in their surplus/deficit position, while the remaining 4 entities showed improvement in that regard. The reasons for those changes are detailed in the individual audit reports of the entities.

Table 2
Comparison of surplus/deficit and net assets of different entities
(Thousands of United States dollars)

	Surplus or deficit		*Net assets*	
Entity	*2022*	*2021*	*2022*	*2021*
United Nations (Vol. I)	(364 703)	870 760	4 709 198	3 514 969
United Nations peacekeeping operations	(322 444)	(55 026)	725 539	393 286
ITC	(2 505)	9 637	(8 032)	(43 739)
UNCDF	85 790	39 516	397 894	309 432
UNDP	(25 446)	252 006	11 749 493	11 576 581
UNEP	302 840	157 737	2 658 734	2 278 387
UNFPA[a]	89 126	294 071	2 166 365	2 015 351
UN-Habitat	(15 628)	31 282	375 632	380 060
UNICEF	1 854 915	1 506 927	12 361 427	10 327 849
UNITAR	2 512	16 684	54 953	46 936
UNHCR	588 157	464 468	3 873 689	2 823 124
UNODC	25 064	61 255	947 709	881 539
UNOPS	(28 780)	90 381	324 037	360 368
UNRWA	(122 163)	76 999	(13 410)	(101 487)
UNU	(91 920)	28 851	454 673	542 120
UN-Women	130 815	150 726	1 190 603	1 032 123
IRMCT	(5 473)	(4 405)	88 793	57 315

Source: Financial statements of the individual entities.
[a] Differences between the figures reported in the concise summary for 2021 (A/77/240) and the same figures for 2021 in the present report are due to restatements made by management.

15. Table 2 shows the changes in net assets at the end of 2021 and 2022. As at 31 December 2022, 15 entities had positive net assets. Two entities, ITC and UNRWA, had negative net assets for the fourth consecutive year. However, the net assets of ITC increased by $35.7 million compared with the previous year. That increase was mainly due to the decrease in liabilities for conditional arrangements. The net assets of UNRWA increased by $88.1 million compared with the previous year owing to a significant increase in revaluation and other reserves from actuarial gains on staff termination liabilities.

16. Furthermore, the Board noted that the net assets of UN-Habitat, UNU and UNOPS had decreased in comparison with the previous year. For UN-Habitat, the decline by $4.43 million was due to the decrease in voluntary contributions and the transfer of the asset relating to the Somalia Hargeysa project, which closed and was handed over to the Government. For UNU, net assets decreased by $87.4 million because of a reduction in non-current voluntary contributions and the decline in investments owing to the depreciation of the investments' fair market value. For UNOPS, net assets were reduced by $36.3 million mainly due to the impairment suffered on Sustainable Investments in Infrastructure and Innovation investments.

17. In contrast, the Board also noted that United Nations peacekeeping operations and IRMCT had experienced a significant increase in net assets compared with the previous year. The net assets of United Nations peacekeeping operations increased by $332.25 million (or 84.48 per cent) compared with the previous year. This increase

was due mainly to the decrease in employee benefits liabilities of $550.1 million, owing to a notable change in the discount rate. For IRMCT, net assets increased by $31.48 million (or 54.92 per cent) compared with the previous year, owing primarily to an actuarial gain of $25.47 million on defined benefits liabilities and an actuarial gain of $11.28 million on judges' pensions. These gains were offset in part by an overall deficit of $5.47 million from the performance during the year. The net assets of the remaining 12 entities increased by between 6 per cent and 37 per cent over the previous year. Detailed reasons for the changes in the net assets position are discussed in the individual audit reports of the entities.

Ratios

18. 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).

19. Ratio analysis provides an assessment of financial sustainability and liquidity across United Nations entities (see table 3). 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 3.

20. In general, the financial position of all entities remained at least sufficient. The 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.

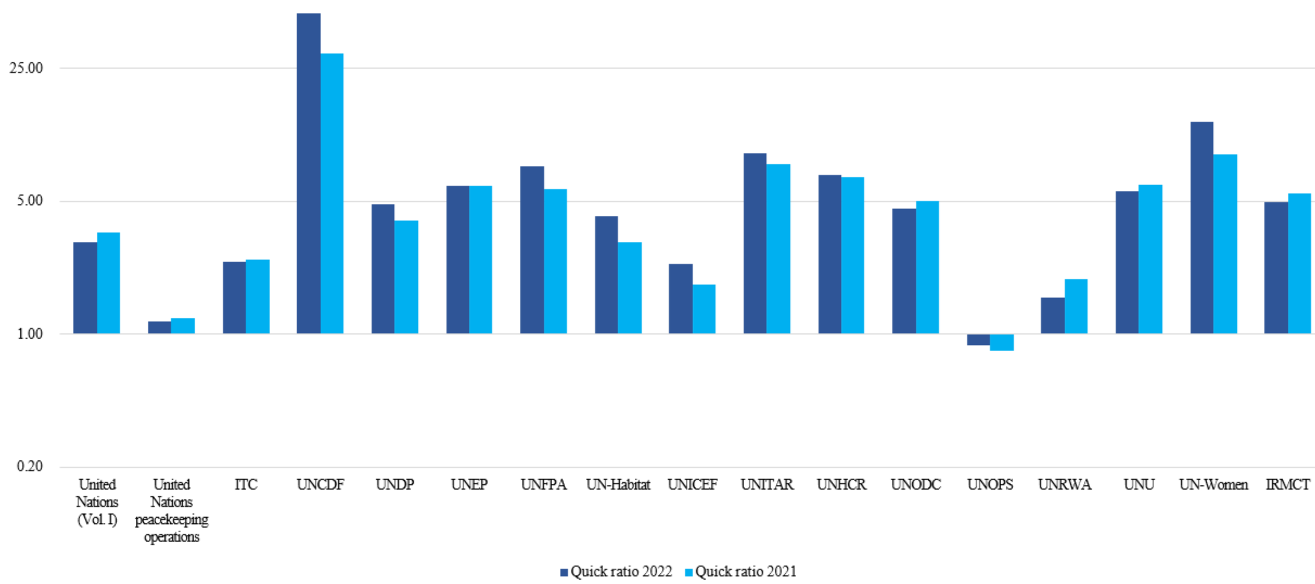
21. A solvency ratio above 1 indicates an entity's ability to meet its overall obligations. Of all 17 entities, 2 have a ratio below 1 (UNRWA, at 0.99; and ITC, at 0.98). As the major part of the liability of UNRWA and ITC is of a long-term nature, mainly composed of employee benefits liabilities, there is no immediate threat to their solvency, but they need to strengthen their asset position over the long term. Four entities have a solvency ratio above but close to 1 (UNOPS, at 1.1; United Nations peacekeeping operations, at 1.18; IRMCT, at 1.65; and United Nations (Vol. I), at 1.68). The remaining 11 entities have a solvency ratio comfortably above 1 (between 2.87 for UNICEF and 21.46 for UNCDF).

22. The Board further noted that the cash ratio for United Nations peacekeeping operations remained below 1, at 0.48 (0.47 in 2021). 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 2022.

23. For UNOPS, the Board noted that in 2022, there had been slight increases in the current ratio (0.87), quick ratio (0.86), and cash ratio (0.82). However, it is important to highlight that all these ratios remained below 1. The main reason for these financial ratios being below 1 is the fact that all project cash advances received are classified as current assets, while a portion of the total funds is invested in long-term investments. These long-term investments were not taken into account in the calculation of the current ratio, quick ratio and cash ratio. The Board also noted that in February 2023, the Executive Board of UNOPS approved the allocation of $35.4 million from the operational reserves for the implementation of the comprehensive response plan for 2023. The Executive Board also requested UNOPS to promptly distribute $123.8 million of its excess reserves to paying entities on the basis of their proportional share of management fees. That decision did not affect the UNOPS financial statements for 2022.

24. A comparison of quick ratios among the 17 entities for the years 2022 and 2021 is shown in figure I.

Figure I
Quick ratios, 2022 and 2021



25. 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 3
Ratio analysis as at 31 December 2022

	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	*2022*	*2021*	*2022*	*2021*	*2022*	*2021*	*2022*	*2021*
United Nations (Vol. I)	1.68	1.43	3.28	3.81	3.05	3.44	2.31	2.69
United Nations peacekeeping operations	1.18	1.09	1.32	1.38	1.17	1.22	0.48	0.47
ITC	0.98	0.90	2.56	2.55	2.41	2.47	1.18	1.34
UNCDF	21.46	14.11	48.90	30.19	48.46	29.89	27.56	12.40
UNDP	4.82	4.24	4.60	4.10	4.45	3.94	2.70	2.57
UNEP	6.50	5.10	7.03	6.88	5.99	5.99	4.42	4.66
UNFPA[e]	5.71	4.49	8.61	6.67	7.60	5.80	5.04	3.84
UN-Habitat	4.05	3.03	4.40	3.23	4.16	3.06	2.12	1.77
UNICEF[f]	2.87	2.19	2.72	2.06	2.34	1.82	1.56	1.37
UNITAR	3.50	2.75	10.20	8.54	8.90	7.83	5.81	4.37
UNHCR	3.64	2.59	8.35	8.01	6.88	6.73	4.45	4.16
UNODC	3.52	3.23	4.77	5.17	4.58	5.04	3.55	4.19
UNOPS	1.10	1.07	0.87	0.83	0.86	0.82	0.82	0.80

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]	
	2022	*2021*	*2022*	*2021*	*2022*	*2021*	*2022*	*2021*
UNRWA	0.99	0.91	2.00	2.36	1.55	1.95	1.31	1.68
UNU	7.80	8.67	5.71	6.14	5.66	6.11	3.08	3.99
UN-Women	9.88	6.95	14.54	9.95	13.13	8.79	7.50	5.10
IRMCT	1.65	1.33	4.95	5.55	4.92	5.51	3.37	4.00

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 2021 and the same figures for 2021 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

26. 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. 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, 2022[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.

27. As at 31 December 2022, eight of the audited entities[2] were participating in the investment pool maintained by the United Nations Treasury, which managed cash and investments of $10.98 billion in its investment pool. In addition, UNDP managed investments totalling $11.42 billion for its own programme and for other United Nations entities under service-level agreements covering three entities[3] included in the present report. Five entities (UNICEF, UNHCR, UNOPS, UNRWA and UN-Women) had a total of $16.8 billion in cash and investments that were not pooled or managed by others (see figure II).

28. As cash balances, transaction volumes and payment currencies increase, professional cash management becomes essential. It ensures optimal utilization of cash, mitigates risks, provides accurate forecasts of cash flows, ensures compliance, diversifies investments, and leverages technology to efficiently manage financial operations. Furthermore, it is vital for the United Nations and its funds and programmes to manage funds by means of a strategy because it ensures financial stability, operational continuity, programme implementation and financial accountability. In order to ensure that investment pool risks and returns are properly managed, the United Nations Treasury relies on a team of dedicated staff who are investment professionals to manage the pooled funds and to provide daily liquidity to all pool participants.

29. The status of cash, cash equivalents and investments for 17 entities[4] as at 31 December 2022 is shown in table 4. Such assets accounted for the majority of

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

assets across all entities. For 13 entities, the assets represented more than half of total assets. For UNOPS and UNU, they represented more than 80 per cent of total assets.

30. In general, investments (short-term and long-term investments, see table 4) are decreasing. For instance, UNOPS showed a decrease of $1,372 million compared with the previous year. As at 31 December 2022, investments were above $1 billion for seven entities (United Nations (Vol. I), United Nations peacekeeping operations, UNDP, UNFPA, UNEP, UNICEF and UNOPS).

Table 4
Cash, cash equivalents and investments as at 31 December 2022
(Thousands of United States dollars)

	Cash and cash equivalents		*Investments (short + long term)*		*Total assets*		*Cash and investments as a percentage of total assets*		
Entity	*2022*	*2021*	*2022*	*2021*	*2022*	*2021*	*2022*	*2021*	*With whom have the resources been pooled/ managed?*
United Nations (Vol. I)	851 871	646 533	4 996 887	4 951 069	11 662 841	11 723 906	50.15	47.75	United Nations Treasury
United Nations peacekeeping operations	272 824	129 671	1 228 734	1 325 789	4 740 218	4 897 172	31.68	29.72	United Nations Treasury
ITC	21 802	17 792	124 601	142 920	331 071	392 628	44.22	40.93	United Nations Treasury
UNCDF	63 668	15 618	175 353	163 930	417 342	333 038	57.27	53.91	UNDP
UNDP[a]	867 595	963 660	8 542 427	8 954 366	14 822 233	15 150 882	63.49	65.46	UNDP
UNEP	243 628	167 354	1 450 620	1 357 750	3 145 273	2 833 780	53.87	53.82	United Nations Treasury
UNFPA[b]	363 145	206 966	1 354 493	1 483 088	2 626 283	2 592 829	65.40	65.18	UNDP
UN-Habitat	37 051	32 345	220 256	261 400	498 686	567 157	51.60	51.79	United Nations Treasury
UNICEF	1 008 802	604 378	8 958 688	9 281 138	18 980 615	19 031 685	52.51	51.94	Not pooled
UNITAR	9 516	2 915	40 924	41 347	76 919	73 784	65.58	59.99	UNDP
UNHCR	1 592 447	1 183 891	715 000	655 000	5 339 704	4 593 653	43.22	40.03	Not pooled
UNODC	136 674	103 698	813 700	841 161	1 324 009	1 277 198	71.78	73.98	United Nations Treasury
UNOPS	604 609	782 834	2 890 856	4 263 037	3 676 678	5 172 954	95.20	97.54	Not pooled
UNRWA	276 345	356 967	–	–	888 862	971 638	31.09	36.74	Not pooled
UNU[c]	18 786	23 031	401 596	480 803	521 509	612 801	80.61	82.22	United Nations Treasury
UN-Women	122 040	101 227	638 398	644 328	1 324 696	1 205 685	57.40	61.84	Not pooled
IRMCT	22 836	17 838	135 946	144 697	225 092	230 370	70.54	70.55	United Nations Treasury

Source: Financial statements of the individual entities.
[a] Includes funds held in trust balances.
[b] Differences between the figures reported in the concise summary for 2021 and the same figures for 2021 in the present report are due to restatements made by management.
[c] Of the total cash and investments of $420.38 million, $376.08 million, or 89.46 per cent, comprises the UNU Endowment Fund, whose investments are managed by a global investment firm and overseen by the Office of Investment Management of UNJSPF; $32.43 million, or 7.71 per cent, relates to the cash and investments pooled with the United Nations Treasury.

D. Receivables

31. 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 analysed receivables from the following three perspectives:

(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.

32. As at 31 December 2022, the 17 United Nations entities included in table 5 had accumulated total receivables (assessed contributions, voluntary contributions and other receivables) of $19,485 million (2021: $18,281 million), receivables outstanding for one year or longer reached $985 million (2021: $885 million) and receivables from other United Nations entities amounted to $1,220 million (2021: $1,063 million).

33. The Board noted that eight entities had increased receivables compared with the previous year. The entity with the highest receivables was UNDP, at $5,054 million, owing to commitments and agreements with funding partners, including those made for future years.

34. In 2022, UNEP had the highest receivables from other United Nations entities, of $675 million. 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 Global Environment Facility in tranches of $20 million every two to three months, depending on cash-flow needs.

35. Eight 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 78 per cent of its total receivables.

Table 5
Receivables as at 31 December 2022
(Thousands of United States dollars)

Entity	*Total receivables (assessed contributions, voluntary contributions and other receivables)*		*Receivables outstanding for one year or more*		*Receivables from other United Nations entities*	
	2022	*2021*	*2022*	*2021*	*2022*	*2021*
United Nations (Vol. I)	2 241 743	2 342 197	65 994	36 392	145 472	135 865
United Nations peacekeeping operations	1 696 782	1 809 572	488 755	505 975	13 599	12 961
ITC	168 971	219 484	–	–	1 148	1 992
UNCDF	174 050	149 148	246	215	1 917	16 333
UNDP	5 053 938	4 800 232	28 980	25 291	32	312
UNEP	1 095 099	979 527	234 936	236 666	674 646	646 449
UNFPA[a]	740 128	750 823	3 320	2 080	39 810	25 291
UN-Habitat	218 113	225 397	45 409	15 670	25 578	22 660
UNICEF	4 979 354	4 125 847	37 485	13 694	206 238	155 246
UNITAR	19 885	25 635	10	–	4 929	2 236
UNHCR	2 010 391	1 947 432	9 346	3 873	78 816	20 538
UNODC	326 404	289 944	9 095	1 047	7 865	5 928
UNOPS	145 798	87 003	15 721	2 946	18 387	5 479
UNRWA	31 028	39 516	2 765	2 166	154	1 209
UNU	44 963	55 021	1 598	87	95	44
UN-Women	485 571	381 257	432	285	1 341	10 875
IRMCT	52 444	52 956	40 811	39 038	–	75

Source: Financial statements of the individual entities.

[a] Differences between the figures reported in the concise summary for 2021 and the same figures for 2021 in the present report are due to restatements made by management.

E. Employee benefits liabilities

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

37. 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. Pension benefits are paid through UNJSPF.

38. The status of employee benefits liabilities (excluding pension benefits) in different entities is presented in table 6. For 14 entities, such liabilities represented more than one quarter (25 per cent) of total liabilities; for 8 entities they were more than half of total liabilities. For UNCDF, UNRWA, UN-Women and UNITAR, employee benefits liabilities were over 80 per cent of total liabilities.

39. Employee benefits liabilities decreased compared with the previous year for all the 18 audited entities. The decreases were attributable mainly to a notable change in the discount rate, which reduced the present value of the overall liability.

40. 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.

41. In 2022, the highest amounts for after-service health insurance liabilities were held by United Nations (Vol. I), UNICEF and United Nations peacekeeping operations, which is in line with the large number of staff in those entities.

Table 6
Status of employee benefits liabilities in different entities as at 31 December 2022
(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	*2022*	*2021*	*2022*	*2021*	*2022*	*2021*	*2022*	*2021*
United Nations (Vol. I)	5 017 102	6 337 567	6 953 643	8 208 937	72.15	77.20	4 341 145	5 503 890
United Nations peacekeeping operations	1 629 713	2 189 350	4 014 679	4 503 886	40.59	48.61	1 208 980	1 731 936
ITC	154 165	186 189	339 103	436 367	45.46	42.67	138 043	167 077
UNCDF	17 668	21 033	19 448	23 606	90.85	89.10	11 414	14 534
UNDP	1 240 402	1 550 242	3 072 740	3 574 301	40.37	43.37	891 107	1 190 424
UNEP	222 559	285 230	486 539	555 393	45.74	51.36	177 973	234 028
UNFPA[b]	348 005	445 665	459 918	577 478	75.67	77.17	278 368	367 082
UN-Habitat	38 073	47 513	123 054	187 097	30.94	25.39	27 712	34 845
UNICEF[c]	1 641 507	2 022 401	6 619 188	8 703 836	24.80	23.24	1 304 433	1 648 546
UNITAR	17 629	22 284	21 966	26 848	80.26	83.00	15 007	18 899
UNHCR	1 121 294	1 489 008	1 466 015	1 770 529	76.49	84.10	833 927	1 200 464
UNJSPF	94 375	119 720	691 381	309 639	13.65	38.66	83 598	106 946
UNODC	115 510	147 149	376 300	395 659	30.70	37.19	75 704	102 039

Entity	Total employee benefits liabilities[a]		Total liabilities		Total employee benefits liabilities as a percentage of total liabilities		After-service health insurance	
	2022	2021	2022	2021	2022	2021	2022	2021
UNOPS	111 141	146 357	3 352 641	4 812 586	3.32	3.04	63 430	88 855
UNRWA	779 844	952 541	902 271	1 073 125	86.43	88.76	624	771
UNU	12 508	15 377	66 836	70 681	18.71	21.76	7 020	9 911
UN-Women	108 093	135 097	134 093	173 562	80.61	77.84	77 196	103 506
IRMCT	75 090	95 481	136 299	173 055	55.09	55.17	58 780	77 749

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 2021 and the same figures for 2021 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.

F. Revenues

42. Table 7 presents the total revenues for the years 2022 and 2021. It was noted by the Board that out of 17 audited entities,[5] 6 showed an increase in revenue in 2022. The percentage increase ranged from 1.24 per cent for UNOPS to 47.86 per cent for UNCDF.

43. At the end of the financial year, UNICEF and United Nations (Vol. I) recorded the highest revenues among the 17 audited entities. UNICEF total revenue amounted to $10,329 million, which was approximately $1,759 million (20.5 per cent) higher than the previous year. United Nations (Vol. I) reported total revenue of $7,348 million, indicating a decrease of $206 million (2.7 per cent).

44. In terms of funding resources, there were six entities that received assessed contributions during the period. United Nations peacekeeping operations received the largest portion of assessed contributions from Member States, with revenue from assessed contributions amounting to $6,343 million during the period. This accounted for 93.7 per cent of the total revenue. Meanwhile, 42.6 per cent ($3,131 million) of United Nations (Vol. I) revenue was derived from assessed contributions, which was the second largest portion.

Table 7
Comparison between total revenues in 2021 and 2022
(Thousands of United States dollars)

Entity	Total revenues 2022	Total revenues 2021	Difference	Difference as a percentage of total revenues
United Nations (Vol. I)	7 348 269	7 554 473	(206 204)	(2.73)
United Nations peacekeeping operations	6 768 863	7 210 428	(441 565)	(6.12)
ITC	155 946	160 509	(4 563)	(3.11)
UNCDF	202 001	136 621	65 380	47.86
UNDP	5 322 106	5 636 865	(314 759)	(5.58)
UNEP	954 159	750 110	204 049	27.20

[5] All entities except UNJSPF.

Entity	Total revenues 2022	Total revenues 2021	Difference	Difference as a percentage of total revenues
UNFPA	1 531 969	1 617 622	(85 653)	(5.29)
UN-Habitat	187 850	204 079	(16 229)	(7.84)
UNICEF	10 329 055	8 569 586	1 759 469	20.53
UNITAR	43 873	56 813	(12 940)	(22.81)
UNHCR	6 072 558	5 254 206	818 352	15.59
UNODC	430 649	417 775	12 874	3.08
UNOPS	1 224 424	1 208 734	15 690	1.24
UNRWA	1 190 227	1 283 676	(93 449)	(7.28)
UNU	54 187	107 005	(52 818)	(49.53)
UN-Women	671 066	681 468	(10 402)	(1.47)
IRMCT	80 243	87 742	(7 499)	(9.09)

G. Expenses

45. Table 8 sets out the total expenses over two years (2022 and 2021). The Board noted that 14 of the audited entities showed an increase in 2022 (between 0.01 per cent for UNITAR and 86.95 per cent for UNU).

46. At the end of the financial year, UNICEF and United Nations (Vol. I) had the highest expenses of all 18 audited entities. The total expenses of UNICEF amounted to $8,541 million, approximately $1,405 million more than in 2021, and the total expenses of United Nations (Vol. I) amounted to $7,713 million, an increase of $1,029 million.

Table 8
Total expenses and staff costs for the years 2022 and 2021
(Thousands of United States dollars and number of staff members)

Entity	Total expenses		Staff costs (employee salaries, benefits and allowances)		Number of staff members		Staff costs per staff member	
	2022	2021	2022	2021	2022	2021	2022	2021
United Nations (Vol. I)	7 712 972	6 683 713	3 096 451	2 930 515	19 250	18 138	160.85	161.57
United Nations peacekeeping operations	7 091 307	7 265 454	1 726 293	1 839 459	11 631	11 800	148.42	155.89
ITC	158 451	150 872	76 251	76 202	424	426	179.84	178.88
UNCDF	116 211	97 105	26 988	25 304	177	176	152.47	143.77
UNDP	5 347 552	5 384 859	871 045	866 185	7486	7 689	116.36	112.65
UNEP	651 319	592 373	207 823	201 926	1 330	1 287	156.26	156.90
UNFPA[a]	1 442 843	1 323 551	350 670	335 088	3 238	3 213	108.30	104.29
UN-Habitat	203 478	172 797	47 090	47 781	310	313	151.90	152.65
UNICEF	8 541 219	7 135 931	1 792 064	1 716 192	16 729	15 905	107.12	107.90
UNITAR	40 361	40 129	14 092	13 346	91	96	154.86	139.02
UNHCR	5 484 401	4 789 738	1 411 292	1 260 716	15 707	14 097	89.85	89.45
UNJSPF[b]	83 040	99 010	56 779	54 903	363	345	156.42	159.14
UNODC	405 585	356 520	150 571	147 520	936	903	160.87	163.37

Entity	Total expenses		Staff costs (employee salaries, benefits and allowances)		Number of staff members		Staff costs per staff member	
	2022	2021	2022	2021	2022	2021	2022	2021
UNOPS	1 222 875	1 145 198	121 940	135 691	620	720	196.68	188.46
UNRWA	1 312 390	1 206 677	736 251	741 890	27 768	28 031	26.51	26.47
UNU[c]	146 107	78 154	19 607	18 170	142	137	138.07	132.63
UN-Women	540 251	530 742	175 863	166 458	1 220	1 206	144.15	138.02
IRMCT	85 716	92 147	64 686	70 316	439	488	147.35	144.09

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

[a] Differences between the figures reported in the concise summary for 2021 and the same figures for 2021 in the present report are due to restatements made by management.

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

[c] 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.

H. Fraud and presumptive fraud

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

48. The Board acknowledges that there are differences in how each entity manages information regarding fraud and presumptive fraud. However, the Board has attempted to harmonize the information disclosed by the entities in the present report, on the understanding that it is helpful to compare main trends using data from previous years. Table 9 shows the cases of fraud or presumptive fraud reported annually by the entities for three consecutive years from 2020 to 2022, and the number of cases pending for more than two years. Detailed explanations are included in the individual audit reports of the entities.

Table 9
Number of cases of fraud and presumptive fraud reported in the past three years

Entity	Number of cases of fraud and presumptive fraud			Number of cases pending for more than two years
	2022	2021	2020	
United Nations (Vol. I)	108	92	111	43
United Nations peacekeeping operations	127	124	123	20
ITC	–	–	–	–
UNCDF	1	1	–	1
UNDP	42	35	65	24
UNEP	3	7	8	4
UNFPA	41	49	58	78
UN-Habitat	–	–	–	–
UNICEF	193	152	107	31

Entity	Number of cases of fraud and presumptive fraud 2022	2021	2020	Number of cases pending for more than two years
UNITAR	–	–	–	–
UNHCR	52	97	102	1
UNJSPF	–	–	–	–
UNODC	11	30	12	4
UNOPS	99	56	66	–
UNRWA	34	47	48	10
UNU	–	–	–	–
UN-Women	5	16	12	–
IRMCT	1	–	–	–

Source: Information provided by the individual entities.

49. The Board noted that 12 of the 18 entities had reported cases of fraud or presumptive fraud in each of the past two years. Of those entities, five had seen a decrease in cases of fraud and presumptive fraud in 2022 compared with the previous year, whereas the remaining six had seen an increase in that respect. UNCDF reported one case both in 2021 and 2022.

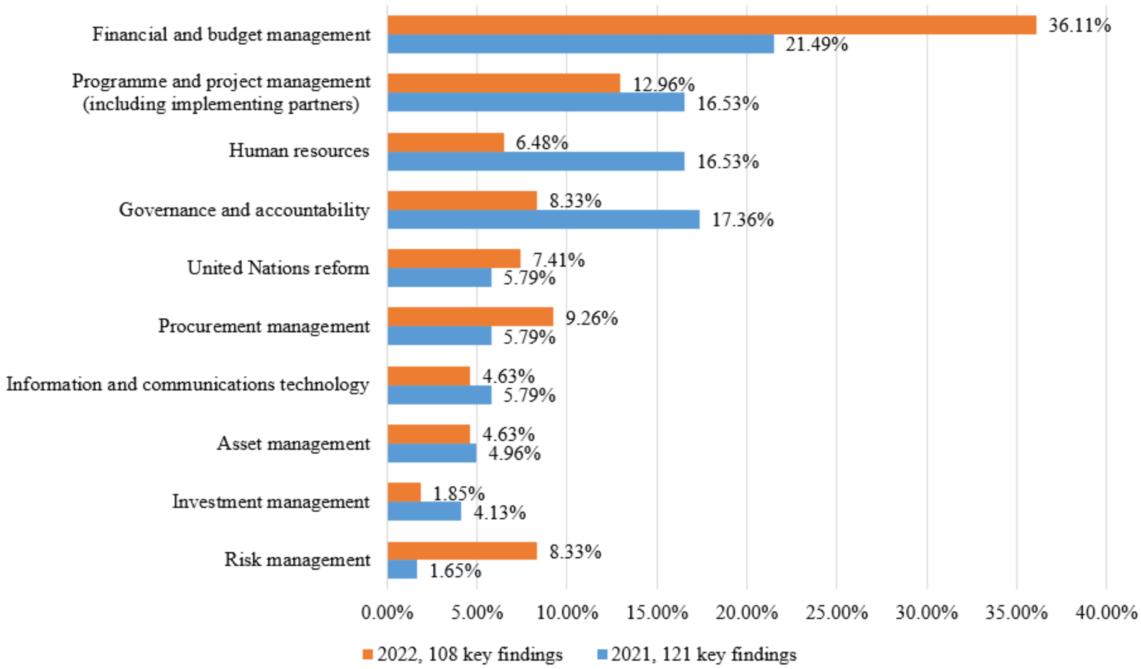
50. The total number of cases has increased over the past three years, from 712 in 2020 to 717 in 2022. Of those cases, 216, involving 10 entities, have remained pending for more than two years. Among those 216 cases, United Nations (Vol. I), UNFPA and UNICEF account for 20 per cent, 36 per cent and 14 per cent, respectively.

III. Key findings and recommendations

51. 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.

52. In that context, the present report highlights, by category, the key findings issued in the individual audit reports of the entities resulting from the audits conducted for the years ended 31 December 2021 and 31 December 2022. A breakdown of the categories is presented in figure III.

Figure III
Key findings, by category, 2021 and 2022



53. Financial and budget management, programme and project management and procurement management constitute 58 per cent of the total findings in 2022.

54. Of the key findings identified by the Board in 2022, 39 (36.11 per cent) related to financial and budget management, compared with 26 (21.49 per cent) in the 2021 financial year, both of which accounted for the largest portion. The financial and budget management findings in 2022 related to cost recovery, voluntary contributions, inactive funds and budget formulation, implementation and reporting, among other things. The Advisory Committee on Administrative and Budgetary Questions, in its report on the financial reports and audited financial statements and reports of the Board of Auditors for the period ended 31 December 2021 (A/77/574), raised specific concerns over issues related to instances of absence of as well as non-compliance with the regulations and rules in relation to budget management which had weakened budget discipline and control. In this regard, for example, the Board had identified five key findings, relating to insufficient reporting of extrabudgetary resources in budget proposals, inaccuracy in budget proposals owing to lack of clarity in asset allocation rules, and continuous overexpenditure on furniture and equipment. In response to the concerns and given the importance of financial and budget management and its significance to the delivery of the mandates and the stewardship of the resources of the United Nations entities, a special section covering the financial and budget management of 17 entities for 2022 is included in the present report (see sect. IV below).

55. The findings relating to programme and project management represent 12.96 per cent and 16.53 per cent of the total key findings in 2022 and 2021, respectively. Some of the findings are related to insufficient centralized management on grants projects, early termination of projects and insufficient preparation at the initiation stage.

56. Based on the Board's analysis of key findings, the third most observed and highlighted category is procurement management, which represents 9.26 per cent and

5.79 per cent of the total key findings in 2022 and 2021, respectively. Difficulties affecting the effectiveness of fair competition and the overall efficiency of procurement, and the need to optimize the databases on vendors are some of the major findings relating to procurement management identified for 2022.

57. In the following subsections, the Board presents its key findings and recommendations for each of the 17 United Nations entities covered in the present report resulting from the financial and performance audits that it conducted for the year ended 31 December 2022.

A. United Nations (Vol. I)

Accounts and financial reporting

58. Total revenue for the year 2022 amounted to $7.35 billion, a slight decrease from $7.55 billion in 2021, which was due mainly to a decrease of $0.41 billion in voluntary contributions. With regard to expenses, the total amount was $7.71 billion in 2022, an increase of $1.03 billion (15 per cent), compared with $6.68 billion in 2021, which was due mainly to an increase of $0.63 billion in grants and other transfers, as well as those expenses related to travelling and other operating expenses which had significantly increased since the recovery from the COVID-19 pandemic.

59. Net assets for the year 2022 increased by $1.2 billion (34 per cent), from $3.51 billion as at 31 December 2021 to $4.71 billion as at 31 December 2022, which was due mainly to the actuarial gains on employee benefits liabilities ($1.51 billion).

60. The overall financial situation for the year 2022 was relatively healthy. For the regular budget and related funds, the cash ratio was 0.26, 0.76 and 0.69 at the end of 2020, 2021 and 2022, respectively, indicating a relatively good liquidity situation, but periodic cash shortages still existed. The regular budget continued to borrow from the Working Capital Fund during 2022 owing to the periodic cash shortages. At the end of 2022, there were no borrowings from the Working Capital Fund, the Special Account or closed peacekeeping missions.

61. The Administration informed the Board that, although the trend of increasing year-end arrears had been reversed, the fluctuations in regular budget collections increased uncertainty and the risk of rushed year-end spending. Therefore, the Administration needed more adequate and predictable liquidity to ensure the execution of the regular budget operations.

Budget management

62. The total proposed regular and extrabudgetary resources for humanitarian assistance (section 27) of the proposed programme budget only included expenditures for mandated programmatic activities directly implemented by the Office for the Coordination of Humanitarian Affairs, ranging from $352 million to $364 million from 2020 to 2022. The grants and transfers from the country-based pooled funds, the Central Emergency Response Fund and specially designated contributions to implementing partners, ranging from $1.55 billion to $2.56 billion from 2020 to 2022 according to relevant financial statements, were excluded from the proposed extrabudgetary resources. This gave rise to a difference between the presentation of financial statements and the programme budget. A similar case was noted for the political affairs section (section 3) of the proposed programme budget, in which the Peacebuilding Fund was not disclosed and its expenditures in 2022 amounted to $195.58 million.

63. The budget proposals for vehicles and computing devices of some sampled special political missions were not accurate to the extent possible. For instance, when

preparing the budget proposals for 2022 at year-end 2020, the existing passenger vehicle holdings of 13 missions (68 per cent of 19 sampled missions) had already exceeded their standard allocation for vehicles for 2022, and the existing computing device holdings of 19 missions (50 per cent of a total of 38 missions) had already exceeded their standard allocation and spares quantities for 2022.

64. As at 31 December 2022, the actual vehicle holdings of 15 missions (79 per cent of 19 sampled missions) had exceeded their standard allocation quantity for 2022, and the actual computing device holdings of 26 missions (68 per cent of a total of 38 missions) had exceeded their standard allocation and spares quantity for 2022.

65. The Board noted an upward trend of overexpenditure on furniture and equipment from 2019 to 2022. In 2022, expenditure on furniture and equipment of all 36 sections totalled $49.79 million, with an overexpenditure rate of 71 per cent, with the political affairs section having the largest overexpenditure amount, at $16.48 million. This may indicate that overall internal control mechanisms in this regard needed further improvement. For instance, the United Nations Integrated Transition Assistance Mission in the Sudan overspent by 34 per cent on furniture and equipment in 2022, with total expenditure of $3.26 million, including $1.3 million for 45 vehicles and $0.49 million for 429 computing devices. As at 31 December 2022, the Mission held 149 vehicles and 594 computing devices (including 134 devices that were idle), for a total of 231 staff members.

66. In 2022, at 18 sampled special political missions, 47 per cent of the costs for mobile device services related to non-official communications and 30 per cent of personnel used mobile devices only for private purposes. From 2018 to 2022, of a total of $2.39 million in private call costs of the 18 sampled missions, $1.43 million (60 per cent) had not been recovered, and $2.3 million (96 per cent) had not been refunded to the regular budget-related fund.

67. Following the Board's observation on the insufficient disclosure of special commitments in financial performance reports, an overview of the establishment, utilization and cancellation of the special commitments created in 2019 and 2020 is provided in annexes X and XI of the financial performance report on the programme budget for 2022 (A/78/89).

Cost-recovery services

68. The accumulated surplus of cost-recovery services under the 10RCR fund (cost-recovery fund) totalled $452.92 million as at 31 December 2022, an increase of $4.38 million compared with the year-end balances of 2021, indicating improvement in annual surplus management in 2022, while the upward trend of the accumulated surplus had not been reversed. The percentage of the accumulated surplus, compared with annual 10RCR expenses (i.e. reserve ratio) among the entities varied significantly, from 51 to 321 per cent.

Revenue-producing activities

69. Revenue-producing activities had operated at a loss for the past seven years (2016 to 2022), with a total amount of $23.50 million in accumulated losses, which might bring extra burden to the Member States in the future if the losses could not be recovered from the net operational revenue of relevant activities. For instance, the accumulated losses related to catering operations totalled $7 million as at 31 December 2022, an increase of 247 times compared with the amount at year-end 2016.

Fund management

70. As at 31 December 2022, volume I entities managed 139 trust funds with a cash balance of $2.75 billion, reflecting an 11 per cent increase from year-end 2020. As at 4 March 2023, 1,755 grants in the amount of $135 million (4.8 per cent of the total cash balance) were listed as "operationally closing/closed", with an average duration of 24 months spent in the operational closing stage. In addition, 48 grants listed as closed had unspent balances totalling $1.39 million.

71. With regard to the 64CFA fund (construction fund), there was an overall upward trend in the cash balance from 2016 to 2022, leading to a total cash balance of $140.83 million as at 31 December 2022 – an increase of 240 per cent compared with the amount at the end of 2016. The increase was due mainly to the mismatch between the resource request in the budget proposal and the actual progress of project implementation. The Administration explained that the situation was significantly affected by restrictions imposed during the COVID-19 pandemic and subsequent global supply chain failures and inflation, which inhibited effective procurement and delivery.

Health insurance programme

72. The Medical Insurance Plan for United Nations locally recruited staff at designated duty stations away from Headquarters has had a continuous deficit since 2018, leading to a ratio of reserve balance to average expenses per month of 0.72 as at 31 December 2022, which is far below the recommended reserve level of six to eight average months of claim costs. In addition, the reserve levels of the United Nations worldwide plan, the Cigna Dental plan and the Aetna plan were higher than the recommended ceilings of four to eight average months of claim costs.

Asset management

73. Through sample-based physical verification and further investigation, the Board noted three major shortcomings in the management of heritage property at United Nations Headquarters. First, there were some discrepancies between the actual status of heritage items and their records in Umoja. Second, the warehouse under the United Nations Secretariat building was not in an ideal condition for the storage of heritage items. Third, some heritage items were not under proper stewardship, or were even located in a hazardous environment.

74. The Board identified some deficiencies in the Africa Hall renovation project management. First, the Administration awarded the project before the contractor had attained the status of a qualified level 2 vendor, thereby failing to fully comply with the requirements of the United Nations Procurement Manual. Second, the Administration did not terminate the contract in a timely manner when the contractor was unable to fulfil its obligations. Third, there was a lack of action regarding a joint venture's liability for contract termination costs. These deficiencies resulted in a delay of 42 months from the approved project timeline and preliminary estimated losses of $3.69 million owing to the termination of the initial contract.

75. The completion of the works for the project, initially scheduled for the end of 2023, has been extended until December 2025 according to the strategic heritage plan team, and potentially until July 2026 according to an independent risk analysis. This delay necessitates an extension of the audit work of the Board to allow for the submission of a separate audit report in 2026.

Human resources management

76. As at 31 December 2022, five entities of United Nations operations as reported in volume I employed 1,398 staff members contracted by UNDP. Those staff members were funded by the extrabudgetary resources of the entities but contracted by UNDP through service-level agreements. The Board noted that approval from the appropriate legislative bodies had not been sought for 10 positions (2 Assistant Secretary-General, 5 D-2 and 3 D-1) that had been established by the Office for the Coordination of Humanitarian Affairs for more than one year, with the earliest position (Assistant Secretary-General) having been established in 2012.

77. As at 31 December 2022, there were 1,306 personnel, contracted by company "T" through three contracts signed respectively in 2005, 2009 and 2020, providing ICT support service to the United Nations Secretariat. This indicates that the Secretariat relies heavily on company T to provide ICT staffing support service, compared to a total of 1,629 ICT staff funded by the regular budget. The actual expenditures of those contracts totalled $1.01 billion as at 4 May 2023. In addition, 1,013 contracted personnel (78 per cent) had worked for the Secretariat for more than one year, including 145 who had worked for more than 10 years, with the longest-serving having worked for 17 years. Furthermore, company T had not met the initial mandatory criteria for pre-qualification when it was finally awarded the contract. In addition, the Secretariat did not conduct sufficient planning with regard to the solicitation process, which resulted in missed opportunities and the existing contracts not being replaced in a timely manner, as envisaged. Furthermore, there were weaknesses in the solicitation process, including a lack of fairness and transparency.

78. The Department of Political and Peacebuilding Affairs established a position at the P-5 level, related to the construction of a website for the Security Council, against which someone had been selected for a three-month period; however, the Department did not issue a temporary job opening. Significant deficiencies were identified in the position management and selection process, requiring review, including whether there was a risk of conflict of interest.

Supply chain management

79. The procurement process is well organized as far as the procedures are concerned. The United Nations Global Marketplace registration system ensures that tender files are traceable. The Board conducted an analysis of this contract database and randomly studied a sample of 18 procurement exercises conducted by the Procurement Division at Headquarters.

80. The Board found that the tender files were, in general, well-kept and complete. However, the Board noted a series of issues that tended to hinder the effectiveness of fair competition and the overall efficiency of procurement. The Organization has had difficulties in mobilizing the suppliers that are the most appropriate for its needs. This is due mainly to: (a) insufficient knowledge of potential applicants during the pre-contract phase; (b) a lack of competition during the solicitation process; (c) long contracting time frames; (d) frequent modifications of some existing contracts without resorting to new competitive phases; (e) frequent exceptions to the rule of open competition; and (f) all problems that are liable to reduce the efficiency of the procurement process.

Management reform

81. The Board reviewed 16 existing key performance indicators and noted the following: (a) some key performance indicators were not sufficiently relevant to delegation of authority, including the 120-day recruitment target, mandatory learning

for all, timely payments to service providers and the advance travel purchase policy; and (b) current monitoring and analysis did not systematically facilitate a more granular and targeted analysis to determine those underperforming entities that had a bigger influence on performance in relation to some key performance indicators.

Development reform

82. With rising expenditures in 2022, the special purpose trust fund for the funding of the resident coordinator system had a deficit of $36.51 million, which depleted the fund’s cumulative cash balance to $40.86 million: $1.14 million below the $42.00 million cash reserve for operating requirements. This decline in liquidity was due to the combined effects of the funding gap as well as the delayed translation of commitments to cash. The liquidity challenge could hamper the ability of the resident coordinator system to fully implement its mandate and meet the growing calls of stakeholders for increased coordination efforts.

83. As at 31 December 2022, of the 113 resident coordinators, 42 (37 per cent) were from eight countries in the Group of Western European and Other States while 10 (9 per cent) were from three African countries. Meanwhile, the 189 members in the resident coordinator pool from 69 countries, representing only 36 per cent of the total of 193 Member States, and 92 of those (49 per cent) were from countries in the Group of Western European and Other States.

Operations related to peace and security affairs

84. Upon the request of the Government of Member State “I”, the United Nations Assistance Mission for Iraq signed a memorandum of understanding in 2011 with Member State I to relocate the members of organization “M” when it was listed as a foreign terrorist organization by many Member States. The Department of Political Affairs (now the Department of Political and Peacebuilding Affairs) received voluntary contributions of $18 million and $341,000 in 2016 and 2021 respectively from Member State “A” to support the relocation of members of organization M to Member State “B” and to support the latter in providing permanent resident identification to the members of organization M. Considering the sensitivity of these cases, the Board is of the view that formal reporting needs to be made to the relevant governing bodies to ensure transparency.

85. The Department of Political and Peacebuilding Affairs-Department of Peace Operations shared structure, one of the key peace and security reform initiatives, was not duly reflected in the proposed budget documents. In addition, the Office of the Director for Coordination and Shared Services did not have an integrated workplan to ensure that the mandates of both Departments were duly integrated into the workplan of the Departments as well as the results framework.

Humanitarian affairs

86. As at 31 December 2022, 13 countries and one thematic area (cholera) had been selected as pilot countries or areas for anticipatory action. The information on the selection of the initial 43 countries, including consultations with external humanitarian agencies and key donors, was not documented, nor was a specific detailed rationale for the narrowing down of the 43 countries to a long list of 15 possible candidates recorded. Furthermore, no written records were provided on the in-house consultation process that resulted in the proposed portfolio of 13 countries and one thematic area for the final decision of the Emergency Relief Coordinator.

Information and communications technology

87. The Board noted that there was no clearly defined guideline elaborating on which ICT activities should be centrally decided and monitored, and which needed to be decentralized to heads of entity for operational freedom, nor was there a guideline providing checks and balances between the Office of Information and Communications Technology and respective entities. The Board also noted instances of insufficient representation and performance of members of the Architecture Review Board, the ICT Policy Committee, the Information Security Board and the Technology Innovation Governance Committee, as required in their terms of reference.

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

(a) Make appropriate disclosures on the funds received in its budget documents to ensure transparency;

(b) Update the vehicle holding ratio and related guidance, as well as the computing device allocation "ratio", as part of the Standard Cost and Ratio Manual in order to enable the missions to improve the transparency and quality of vehicles and computing devices budget proposals in the future;

(c) Continue to monitor budget implementation, in particular for those entities with continuous overexpenditure on furniture and equipment, in accordance with the parameters established by the General Assembly;

(d) Inform respective entities to implement the mobile communication services recovery and refund mechanism to ensure that non-official mobile communication service costs are recovered and refunded to the regular budget in a timely manner;

(e) Expedite its review of the cost-recovery fund (10RCR) balances and the relevant reserve levels to ensure that the fund may be utilized in a more efficient and effective manner and the overall fund balance is maintained at an appropriate level, in accordance with the relevant policy and guidelines;

(f) Request the Department of Operational Support, the Department of Global Communications and other responsible entities to continue to review their revenue-producing activities and take appropriate measures to minimize losses to avoid a potential financial burden on Member States;

(g) Continue supporting offices and departments in enhancing their self-monitoring by establishing key performance indicators that depict operationally closed grants that require financial closure in accordance with donor agreements, the grant master data status of inactive grants and the corresponding unspent project balances and cash balances;

(h) Improve the formulation of resources required for multi-year capital construction budgets based on actual project implementation and revised project schedules in order to limit the unspent balances of the projects at the end of each budget period;

(i) Establish an institutional mechanism for the United Nations Medical Insurance Plan management to periodically review the performance of the Plan, propose premium-rate adjustments and closely monitor the reserve balance of the Plan to ensure its sustainability;

(j) Conduct a professional assessment of the warehouse's environment at United Nations Headquarters and take necessary measures to ensure the safe storage of heritage assets;

(k) Conduct a thorough review of the procurement process for the Africa Hall renovation project to ensure full compliance with relevant regulations;

(l) Ensure that the Office for the Coordination of Humanitarian Affairs enhances the governance of those high-level positions, in collaboration with the Inter-Agency Standing Committee and UNDP, to ensure that they are under adequate supervision;

(m) Conduct a thorough workforce review of the ICT staffing support service and avoid overreliance on third-party contract personnel;

(n) Review procurement issues that arose from previous solicitations to ensure lessons learned are incorporated into the new procurement process for the same requirements, to ensure that the process is in accordance with the United Nations procurement principles;

(o) Conduct a review of the management and selection process for the P-5 position, including to determine any deficiencies that may have occurred and whether there was a risk of a conflict of interest, and consider any further appropriate administrative action following the results of this review;

(p) Issue, at the level of the Headquarters Committee on Contracts, an annual report based on its reviews, focusing on key areas of improvement and good practices which should be shared widely;

(q) Explore ways to systematically review and update the vendor database as well as the financial information of vendors that are selected for award;

(r) Strengthen coordination on vendor sanctions with other agencies, funds and programmes of the United Nations system with the objective of assessing the feasibility and benefits of establishing, in the medium-term, a joint vendor committee to harmonize procedures and actions taken;

(s) Conduct a review of the existing key performance indicators to ensure that only those key performance indicators measuring the impact of decisions are used for monitoring delegation of authority before the shift to Umoja Analytics, and conduct more granular and targeted analysis on the priority results of delegation of authority monitoring;

(t) Take measures to ensure adequate liquidity to finance operational requirements in the short-term, including ensuring measures for the timely recovery of outstanding receivables, and formulate a comprehensive scenario analysis which covers short-, medium- and long-term plans to address the potential liquidity challenge;

(u) Ensure recruitment on as wide a geographical basis as possible of resident coordinators and resident coordinator pool members;

(v) Ensure transparency and report on activities of this nature to relevant governing bodies;

(w) Reference the shared structure under the relevant subprogramme to better reflect the reform structures, and also reflect the shared structure and its mandates in relevant workplans and associated performance reporting;

(x) Keep the rationale for the Emergency Relief Coordinator's final decision on the selection of countries for anticipatory action well documented;

(y) Clarify the balance between central control and operational freedom in the proposed ICT accountability framework and establish standards and assessment methods when designating entities as ICT certified.

B. International Trade Centre

89. The Centre's open commitments totalled $28.90 million as at 31 December 2022, of which $14,338 (0.05 per cent), $0.71 million (2 per cent) and $4.74 million (16 per cent) were created in 2019, 2020 and 2021 respectively.

90. The Centre's delivery rate for priority countries in 2022 was 73 per cent, lower than the target of 80 per cent in its Strategic Plan 2022–2025. Two outcome indicators (A4, C4) did not meet corporate targets (110, 4,000) in 2022, with actual completion results of 76 (69 per cent) and 3,141 (79 per cent) respectively.

91. ITC did not achieve the target vacancy rate for 2022, with 19 cases of recruitment (35 per cent) taking more than 80 days. Several key positions (regular budget posts), including D-1 and P-4 posts, were vacant for a long period.

92. The Board has made the following key recommendations, namely that ITC:

(a) Strengthen its review of open commitments, and adhere to validity periods and related administrative procedures set out in the Financial Regulations and Rules of the United Nations;

(b) Increase efforts to reach the delivery target in priority countries, and strengthen accountability for target setting and reporting at the project and section level;

(c) Strengthen vacancy management and take measures to improve recruitment timelines, especially for key leadership positions, in line with its annual operational target.

C. United Nations Capital Development Fund

93. Budget information as currently provided by UNCDF in the statement of comparison of budget and actual amounts (statement V) fully complies with IPSAS 24: Presentation of budget information in financial statements. In note 7, however, the reconciliation between actual amounts and net cash flows required under paragraph 47 of IPSAS 24 should be amended.

94. The UNCDF risk universe is diverse and is impacted notably by the core mandate of UNCDF targeting the least developed countries and by the expansion of the priority areas of UNCDF, as indicated in the new strategic framework for the period 2022–2025, which could move the organization away from its initial mandate. The relationship of UNCDF with UNDP also tends to create specific risks.

95. The architecture and content of the UNCDF enterprise risk management policy rely heavily on the methodology and processes laid out in the UNDP policy, which provides consistency but means that the specific features of the UNCDF business model and means of intervention could be better reflected. In addition, the policy is fairly recent and improvements are needed towards a more mature system in terms of the strengthening of the methodological accuracy of the risk registers, as well as the formulation of a tailored risk appetite statement and the appointment of a Chief Risk Officer, as UNDP has done. Finally, UNCDF needs to take full advantage of the transition to Quantum+ for risk management.

96. The Board has made recommendations, on the basis of its audit, that UNCDF:

(a) Measure more precisely the impact of the departure from IPSAS and be prepared as soon as possible for the implementation of the new standard, IPSAS 48;

(b) Reconcile the budget and cash flow positions of its financial statements;

(c) Redefine, in collaboration with UNDP, its institutional and operational relationships with UNDP, after having considered various possible options ranging from greater integration to increased segregation;

(d) Review its risk management policy to better adapt it to its needs;

(e) Develop its own risk appetite statement;

(f) Assign the responsibility of Chief Risk Officer to an existing senior executive;

(g) Complete the transition of its risk registers to Quantum+ by the end of 2023.

D. United Nations Development Programme

97. UNDP erroneously recorded revenue for government cost-sharing contracts financed by international financial institutions up front instead of on a cash basis per its current revenue recognition policy for certain donors presenting a credit risk, which would have resulted in a significant overestimation of its 2022 revenue. Consequently, an adjustment of $518 million was made in the final version of the financial statements.

98. UNDP produces an ageing receivables analysis in compliance with IPSAS 26: Impairment of cash-generating assets, but it is not carried out on a comprehensive basis. Based on the Board's findings, an impairment adjustment of $31 million was recorded against the GEF receivable in the final version of the financial statements.

99. The Board reviewed employee benefits liabilities as at 31 December 2022 and noted that UNDP Medical Insurance Plan funding needs amounting to $133.7 million are not tracked through a dedicated fund in the system, which could hamper the monitoring and oversight capacity of UNDP and therefore its ability to address any foreseeable funding difficulties.

100. Budget information as currently provided by UNDP in statement V fully complies with IPSAS 24: Presentation of budget information in financial statements. However, in note 6 to the financial statements, the reconciliation between actual amounts and net cash flows required by paragraph 47 of IPSAS 24 should be set out on a more comparable basis.

101. The Board has audited the implementation by UNDP of the delinking of the United Nations resident coordinator function from the resident representative function of UNDP.

102. UNDP anticipated and implemented a complex transition on short notice, as requested by the General Assembly and by the Executive Board of the United Nations Development Programme. The implementation of the reform was a success in that it allowed the new resident coordinator offices to effectively start working and functioning from the beginning of 2019 and did not cause excessive disruption to the functioning of UNDP and the implementation of its programmes.

103. The management of human resources was a key issue. UNDP succeeded in recruiting, appointing and training the new resident representatives in time. The

reform also had profound implications for the management of UNDP field country offices.

104. The Board took due note of the difficulty in establishing a clear and comprehensive assessment of the budgetary consequences of the delinking for UNDP. This difficulty is due in part to the incremental nature of the delinking process and to the long-standing integration of the coordination function in the Programme’s core structure. Potential annual savings for UNDP may be estimated in the range of $14 million to $34 million.

105. As regards back-office functions, the delinking process has had a limited impact on the role historically played by UNDP as the service provider and backbone for the United Nations system. UNDP has even made a strategic commitment to continuing to pursue its role of “enabler” at the country level. The question remains, however, as to how much importance UNDP should attach to such back-office functions in the future.

106. With regard to the core activities of UNDP in the field of development, the General Assembly, in its resolution 72/279, reiterated the integrator role originally envisaged for UNDP. The provision of integrated solutions lies in the DNA of UNDP. However, further clarification could help in reducing the risk of misunderstandings with clients and stakeholders when it comes to the operational delimitation of responsibilities between the resident coordinators and the UNDP resident representatives. The delinking process appears to be a unique opportunity to sharpen and consolidate the role of UNDP at the centre of the United Nations development agenda, based on the idea that one of the key assets of UNDP compared with other multilateral or bilateral development actors is that it can establish a special partnership with the other United Nations entities.

107. By nature, development operations intervene in a risky universe. The risks faced by UNDP can first and foremost stem from the risky nature of development work. They can also arise from endogenous or exogenous causes, be recurrent or more difficult to predict because of their more or less unique nature, and threaten the accomplishment of UNDP activities at a strategic level or at an operational one. UNDP appears to be at a turning point, as several of the strategic risks faced by the organization today, notably risks related to resources and reputation, are of a critical nature, which poses specific challenges.

108. UNDP has been managing risks to routinely conduct its operations since well before the first introduction of the enterprise risk management policy. There is indeed a variety of risk management tools for which the enterprise risk management policy constitutes an umbrella framework and in which the Office of Audit and Investigations of UNDP plays a major role, which extends in practice beyond the scope of the third line of defence.

109. The Board has looked at two specific case studies to analyse UNDP risk management in concrete and high-impact areas: the transition of enterprise resource planning from Atlas to Quantum, and the 2020 internal audit of GEF. Lessons can be learned from these cases, including the need to ensure that high risks associated with major corporate projects are escalated to the appropriate level, and the need to better understand key implementation challenges on the ground.

110. The implementation of the enterprise risk management policy is a high priority for UNDP and has gone through a series of incremental improvements, in particular, through the progressive, but still unfinished, integration of its various elements, the development of adequate information technology tools and platforms and the recent adoption of a risk appetite statement. The Office of Audit and Investigations has played a critical role in providing key guidance with regard to this improvement path.

Some elements can still be highlighted, notably concerning the maturity of the risk management framework, including in using the recently adopted risk appetite statement at the operational level, as well as the implementation of the statement in terms of identification, assessment and mitigation of risks.

111. Ultimately, risk management in UNDP would benefit from better linkages with the wider accountability system, especially in the fields of internal control, programme planning and budget, as well as results and performance.

112. UNDP currently faces particular challenges with regard to development policies, including the following: (a) the tendency of some donors to focus on emergency humanitarian response to crises rather than on preventing and addressing structural factors that affect long-term development; (b) the political sensitivity of operations in exposed settings; and (c) the difficulty of ensuring alignment and coordination on the ground among the various stakeholders.

113. In this context, UNDP has dedicated a significant amount of its activity to the fulfilment of Sustainable Development Goal 16 on promoting just, peaceful and inclusive societies (governance). As at the date of the audit, UNDP was managing almost 1,400 projects, representing the second largest expenditure item per Goal in 2022 ($878 million). Such expenditure has been declining for several years, however, notably due to the gradual reduction in and termination of large multi-donor initiatives such as the law and order trust fund for Afghanistan.

114. Two-fifths of Sustainable Development Goal 16 project outputs are not valued under any signature solution developed by UNDP along with its strategic plan for the period 2018–2021. In addition, a significant number of projects linked to “governance” activities are not explicitly recorded as such, being related neither to Goal 16 nor to signature solution 2 of UNDP (strengthening effective, inclusive and accountable governance). UNDP nevertheless underlines that there should not be a direct affiliation between projects linked to governance and Goal 16, as governance activities in the areas of environment, poverty and health, for example, could be tagged to Goals related more directly to those respective areas.

115. The efforts of UNDP to engage in the Sustainable Development Goal 16 agenda is not always sufficiently captured through the results framework of the strategic plan because of deficiencies and inconsistencies in activity-tagging. This is notably due to the fact that the integrated results and resources framework for the UNDP strategic plan for the period 2022–2025 is designed to measure delivery against agreed outcomes and outputs, not specifically against the Goals.

116. Discrepancies in the data reported between the different information and technology applications used by UNDP were noted for certain projects. The various software applications used by UNDP to enter and use physical and financial data serve different purposes, but there is no framework document to clarify the use of such data, the ways entries are to be accounted for and the results relating to the projects.

117. The corporate planning system platform used for linking project outputs to the country programme document and the strategic plan, and for the selection of Sustainable Development Goal targets, allowed all data entries to be modified without any security check until 2022. Despite the current use of Quantum, this vulnerability still exists for the linkage between project outputs and those of country programme documents, although Quantum has added a layer of security that prevents any unauthorized changes to the country programme document results targets, as well as to the indicators.

118. UNDP has a wealth of governance-related substantive knowledge products on the intranet, through communities of practice, and can rely on platforms such as the Sustainable Development Goal 16 Hub. This scattered information could be brought

together in a virtual library to facilitate the identification of the knowledge produced and provide a better picture of UNDP achievements. The Global Policy Network is aimed at identifying and bringing together the governance expertise of UNDP staff, as part of an ongoing capacity mapping exercise using a platform powered by artificial intelligence. However, the process for validating the skills of the members in the platform is still not complete and its funding is not guaranteed. Global governance expertise, which is composed of the skills of UNDP personnel, should be better programmed and mobilized, both internally and for key stakeholders such as Governments and public authorities. After the updating and vetting of internal capacities and profiles is accomplished, a mechanism should be developed to make expertise available and deployable in a more dynamic way. A consolidated supply of governance-related expertise could then, beyond traditional project implementation, be built and leveraged with potential beneficiaries and donors, and even become an innovative source of income for UNDP.

119. Five regional bureaux at the headquarters level, including five hubs in the regional areas, supervise the activities of the country offices. Their role in feeding back issues from the field, especially to the Oslo Governance Centre, could be strengthened. Their support activities are not specifically reviewed and do not include a monitoring role. In particular, the supervision of the linking process between projects and Sustainable Development Goal 16 is not part of their mandate.

120. While joint projects are conducted between UNDP and international partners, engagement on Sustainable Development Goal 16 is insufficiently coordinated at the global and country levels, and does not sufficiently harness the presence of UNDP in the field, and in particular in fragile contexts, to strengthen a joint approach locally.

121. In addition to the standard reporting stream, reporting to donors is done on an ad hoc basis but through a harmonized framework. The Board noted, on the one hand, significant deviations from corporate guidance in the documents available for a sample of projects in relation to UNDP commitments and, on the other hand, dissatisfaction on the part of several donors. Formal feedback from beneficiaries in the form of quality assurance, in particular, to measure the effects of each project in the country of implementation, is not provided.

122. UNDP measures the results of a "governance" project at its closure, but not its effective long-term viability and sustainability. In line with the recommendations of the internal audit, it would be useful to provide each project with the means, in particular, financial means, to analyse its impact and capitalize on its results.

123. As the custodian of 4 of the 24 indicators for Sustainable Development Goal 16, UNDP is working to improve the capacity of Member States to report on them. It also uses these data to report on progress on the 2030 Agenda for Sustainable Development, but without a centralized and integrated statistical function that would allow for more detailed analysis of Goal 16.

124. UNDP is, since 2019, part of a global alliance for SDG16+ to engage civil society. However, UNDP can further elevate the visibility of its work in the area of Sustainable Development Goal 16. There is no joint report by the custodian agencies of the Goal 16 indicators, which would give more visibility to the governance work of UNDP, although the Programme is currently working with UNODC and the Office of the United Nations High Commissioner for Human Rights on a joint report for 2023, nor is this major activity mentioned expressly in the annual report of the Administrator. Measuring and reporting impact and results is essential to ensure adequate resource mobilization, but reporting to donors, as well as the capacity of donors to provide feedback, have remained limited. There are several ways UNDP could enhance its leadership in measuring and reporting on governance impact and results, including through enhancing its capacity to monitor the longer-term impact

of governance programmes and by strengthening its statistical function to better analyse governance data and communicate and report better on governance on the global stage.

125. The Board has made the following key recommendations, namely that UNDP:

(a) Carry out a comprehensive review of all contribution agreements with indirect financing;

(b) (i) Carry out an annual impairment review of unbilled receivables, (ii) write off GEF receivables and adjust GEF-related revenues accordingly for closed or cancelled projects and (iii) record GEF contributions and cash receipts by project;

(c) Create a dedicated internal fund in the accounting system in order to monitor the funding needs of the Medical Insurance Plan and enhance oversight;

(d) Reconcile the budget and the net cash flow positions on a comparable basis in the notes to the financial statements;

(e) Conduct a comprehensive analysis on both the human resources and the financial consequences of the delinking reform at UNDP;

(f) Explore various possible scenarios taking into consideration the implications of the delinking reform at UNDP and the increasing role of other players, and develop a strategy on its medium-term role regarding back-office services shared with or provided to other entities of the United Nations system;

(g) Develop a strategy on its role as integrator, in order to reposition itself vis-à-vis the resident coordinator and the United Nations development system as regards the development agenda, and articulate better with other priorities of the United Nations, including in the fields of peacekeeping operations and humanitarian affairs;

(h) Regularly update its Executive Board on critical risks of strategic importance and ensure that these risks are managed under the enterprise risk framework;

(i) Analyse its current communication practices in the light of the most critical risks facing the organization, tailor its strategy to address them proactively, in particular with regard to reputational and funding risks, and better position itself with key stakeholders;

(j) Review existing risk management tools owned by UNDP in order to (i) simplify the landscape in view of their added value, coherence and complementarity, (ii) emphasize the particular risks linked to implementing partners and (iii) where these tools so require, engage with the Office of Audit and Investigations to ensure its exclusive positioning as the third line of defence;

(k) Operationalize its risk management at a more granular level by making full use of the existing risk appetite statement;

(l) Clearly define the scope of the function of its Chief Risk Officer and the chair of the corporate risk committee, as well as their functional relationship with the regional bureaux;

(m) Update its enterprise risk management policy, with the objectives of (i) developing user-friendly methodologies for assessing risks, (ii) ensuring a prioritization of the most critical risks to tackle as a priority and (iii) strengthening the monitoring and reporting of risk treatment measures;

(n) Give a central place to risk management in its updated accountability framework, in order to better link risk management with internal control, strategic programming and budgeting, as well as results and performance, systems;

(o) Ensure fuller coherence and consistency in the tagging of governance projects as related to Sustainable Development Goal 16 and signature solution 2, and take advantage of the transition to Quantum to ensure the consistency of the various data platforms, as well as their security in terms of access;

(p) Develop an action plan to increase the operational impact of its expertise in governance, notably through skill mobilization and knowledge dissemination internally and externally;

(q) Strengthen the role of regional bureaux in monitoring programmes and projects on governance, as well as the link between regional bureaux and the Oslo Governance Centre;

(r) Strengthen its communication on the results of governance-related programmes and projects, improving the quality of information provided and ensuring better feedback to donors;

(s) Enhance its leadership in monitoring the longer-term impact of programmes and projects related to governance, notably with the objective of initiating global reporting on the implementation of Sustainable Development Goal 16.

E. United Nations Environment Programme

126. UNEP hosted the secretariats of 15 multilateral environmental agreements in 2022. Three of the 15 agreements have partly adopted a results-based budgeting approach, while the budget proposals for the other 12 agreements were not fully formulated using this approach, and the budgetary resources and planned outputs were not clearly linked to a total consumable budget of $110.81 million in 2022.

127. The UNEP Strategy for South-South and Triangular Cooperation was incompletely implemented with regard to the following aspects: (a) there was an insufficient allocation of financial, organizational and human resources for South-South and triangular cooperation; and (b) the tools to enable the systematic monitoring and reporting of South-South and triangular cooperation were inadequate.

128. From 1 January 2021 to 30 September 2022, UNEP partnered with eight private entities which were assessed as having critical levels of risk. These approved partners represented high reputational risks owing to their alleged engagement in or financing of the military and/or the weapons industry, and allegations of labour and/or human rights violations, fraud, corruption, bribery and money-laundering, especially with regard to acts that damaged the environment to various degrees. UNEP explained the procedures followed to review these partners, and the appropriate risk treatment plans, which were in compliance with applicable procedures, and the rationale behind engaging with these partners, since UNEP strives to bring about transformational change.

129. The requirement to achieve evaluation coverage across all seven subprogrammes over a six-year period is emphasized in both the Organization's administrative instruction on evaluation in the United Nations Secretariat (ST/AI/2021/3) and the UNEP evaluation policy. The Board noted that the evaluation of subprogramme 1, Climate action, had not been completed by the end of 2022 as required. In addition, only three subprogramme evaluation reports had been disclosed in the past six years.

130. The Board noted that 32 task managers were involved in the GEF portfolio, 5 of whom monitored 106 projects (37 per cent of 283 ongoing projects) with an approved budget of $304.76 million (30 per cent of the $1 billion ongoing project budget). The Board further noted that as at 30 September 2022, 28 GEF projects had exceeded the

planned completion dates, among which 17 projects (61 per cent) were under the above five task managers.

131. The Board noted that the issuance of a digital governance framework had been delayed, as it was still in draft form as of April 2023, while subprogramme 2, on digital transformation, which should be governed by the framework, had officially begun in 2022. In addition, concerns were raised regarding the governance of ICT, as the ICT Committee had not effectively performed its functions from 2017 to 2022.

132. UNEP requested procurement services from UNOPS based on the pre-selection of supplier(s). The Board noted that UNOPS provided three pre-selection orders for UNEP with a total received amount of $109,345.19. Neither UNEP nor UNOPS can provide relevant evidence to prove that these purchases had met the requirements of the procurement process, while none of the pre-selection orders were recorded in Umoja.

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

(a) Liaise with each of the multilateral environmental agreements' secretariats to conduct an individual analysis on the applicability of adopting a results-based approach in budget formulation for their respective budgets;

(b) Develop a plan to implement its Strategy for South-South and Triangular Cooperation with adequate funding and human resources, and reinforced project implementation reporting, when appropriate;

(c) Reinforce its procedures for the review of entities assessed as having critical risk levels in compliance with the regulations of the updated programme and project management manual and the revised partnership policy and procedures, and rigorously form the partnership in accordance with the results of due diligence and risk assessment to reduce the likelihood of reputational risk posed to UNEP;

(d) Give priority to subprogramme evaluations and take active measures to reach the coverage targets set out in ST/AI/2021/3;

(e) Assess the workload of incumbent task managers of GEF projects and formulate a response plan to mitigate the potential imbalance of project allocations;

(f) Strengthen its ICT governance and management by approving and issuing a digital governance framework and establishing a new committee on ICT;

(g) Develop a plan to monitor the pre-selected vendor modality.

F. United Nations Population Fund

134. UNFPA did not prepare a project document that comprised the changes and defined the upcoming stages of its ICT transformation project. The Fund also did not have a framework regarding internal project management at the time of the project's implementation. The project was prepared on the basis of the Oracle unified method and focused only on developing an ICT solution.

135. The ICT transformation project, scheduled to have gone live in January 2021, with an estimated cost for UNFPA of $24.2 million, was not implemented by the Fund. After facing setbacks in the launch of its enterprise resource planning owing to project design and implementation delays, UNFPA decided to change the course of action and join the Quantum consortium led by UNDP. Since 2018, the Fund has estimated a total expenditure of $39.2 million, which is divided into $31.0 million incurred for the ICT transformation project and $8.2 million for Quantum through December 2023. The modules for UNFPA duties, such as the inventory shipment tracker, third-

party procurement and global programming system, had not been included in Quantum as of May 2023.

136. UNFPA prepared the Supply Chain Management Unit implementation activities as an initial implementation plan of the Unit. The Board detected that activities included in the plan had not commenced and had been overdue since August 2022 and that other activities were delayed, of which 73 per cent had been overdue since April 2022. With regard to the four functions established in the Unit's terms of reference, the Board detected that the Unit had not taken action or issued responses to fulfil the functions clustered in the four areas. In addition, the activities relating to field office support and oversight functions had not been defined and implemented. Thus, the oversight function and, consequently, support for country offices in the monitoring of supply chain and logistics status had not yet been established at the regional level, nor had the regulatory policies and corrective action to local procurement been implemented.

137. The Board noted that the audit manual of the Office of Audit and Investigation Services had not been updated since 2015 and that it therefore did not cover current internal audit modalities. In addition, the Board noted that the audit reports uploaded to the Office's website were issued an average of 13 months after the completion of the fieldwork. With respect to the 2022 workplan of the Office, it was planned that audit engagements would be completed and reported before the third quarter of 2022; however, as of the date of the review, only four engagement reports had been issued. The Board noted that the work manual did not include a time frame for completion of the investigations and did not reflect the updating of the rules and regulations that governed the investigations. In short, retaliation investigation cases had been opened, with an average time of 140 days, and cases were closed with an average time of 295 days, notwithstanding the 120 days indicated in the policy of protection against retaliation. Other cases were closed within an average time of 20 months for the completion of the investigation.

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

(a) Formalize the current enterprise resource planning project documentation and ensure that it is updated, in order to enhance proper project governance, as well as the proper assignment of accountabilities and responsibilities;

(b) Develop a framework for monitoring the implementation and management of resources for ICT projects, establishing a clear path with timelines, responsibilities, milestones to be achieved, risk assessment and stages to implement the projects in their entirety;

(c) Monitor project expenses and set benchmarks to serve as early indicators of potential resource depletion, which are crucial for effective resource management;

(d) Accelerate the action taken to define the modules developed on Atlas, pending their inclusion in the Quantum enterprise resource planning system;

(e) Develop and issue a supply chain management policy, so that a coordinated approach to supply chains and logistics is implemented within the Fund;

(f) Conduct an assessment with regard to the fulfilment of the functions included in the Supply Chain Management Unit's terms of reference to ensure a clear implementation schedule and accountabilities, in order to fulfil the Unit's mandate;

(g) Take the action necessary to complete the initial implementation activities of the Supply Chain Management Unit;

(h) Review and approve a new version of the audit and casework manuals to enhance the conduct of internal audits and investigations;

(i) Adhere to the timelines of audit reports and investigations and develop a mechanism to periodically review the level of compliance;

(j) Define a reasonable time frame for completing investigations.

G. United Nations Human Settlements Programme

139. The Board noted that the detailed budgets of projects were only cleared by project management officers. The Management Advisory and Compliance Service Division did not fulfil its duty to conduct oversight of project budgets in 2022, as required by the Programme Review Committee.

140. The Board noted that UN-Habitat created "unearmarked grants" to accumulate remaining contributions from donors and interest income of earmarked funds in cases where there were no instructions from donors. The Board sampled three unearmarked grants with a total cash balance of $17.79 million at the end of 2022 (2021: $16.1 million) and further noted that they were mainly used to support 13 internal loans, totalling $3.78 million, at the end of 2022. Of those 13 loans, 10 loans, totalling $2.11 million, did not comply with the UN-Habitat cash management policy and affected the liquidity of unearmarked grants.

141. In 22 grants, programme support cost rates of 25 per cent, 10 per cent, 8.5 per cent and 0 per cent were applied without approval, which is not in line with the United Nations policy on programme support costs.

142. The Board noted that all exemption requests were raised by project management officers and delivered directly to the approver without being cleared by the Programme Review Committee. As a result, some exempted projects had no formal applications and approval records for exemption, and the justifications for some exemptions were insufficient or even groundless. The Board further noted that in the guidelines for programme/project review and approval, the mechanism for the review of exemption requests by the Committee was ambiguous.

143. On the basis of a sample group of ongoing projects with a budget of over $5 million as well as the top five largest budget projects exempted from review by the Programme Review Committee, the Board noted that three projects had slow progress and material change by the end of 2022 and that neither re-evaluation nor monitoring by the Committee was conducted. The Board further noted that 70 of the 115 projects that had been reviewed and approved by the Committee in 2022 met the criteria for being selected to be monitored during implementation. However, as at 31 March 2023, no implementation monitoring of these projects had been conducted by the Committee.

144. The Board noted that the UN-Habitat Information and Communications Technology Unit at headquarters was solely responsible for hosting and maintaining the applications, with insufficient management of application development. Due to fragmented ICT management, represented by the lack of a formal mechanism to consolidate ICT requirements, the agency experienced fragmented development of ad hoc applications. After consulting the business owners of each application, the Board was unable to gather any information on development expenses for 22 of the 34 applications developed by UN-Habitat as at 7 May 2023. Of the 12 applications with information on development expenses, 5 were developed without an application proposal or needs assessment, while 7 do not have application completion reports.

145. The Board sampled a total of 25 projects conducted by 14 region and country offices and noted that documents or reports for four projects were signed by three consultants or individual contractors on behalf of UN-Habitat, despite having no certifying and approving authority.

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

(a) Strengthen the function of the Programme Review Committee with regard to project budgets and financial review, and ensure that the Management Advisory and Compliance Service Division, as a member of the Committee, performs its duties with regard to reviewing the budgetary and financial elements of the project;

(b) (i) Develop guidance on unearmarked grants to ensure the efficient and effective management of funds;

(ii) Comply with the cash management policy, put in place a repayment plan for overdue loans, and ensure that internal loans are repaid in a timely manner;

(c) Develop a policy and establish a mechanism to ensure that programme support cost rates are in line with the United Nations policy and that exceptions to standard rates are properly reviewed and approved;

(d) Further standardize the criteria for exemption from review by the Programme Review Committee. Applications for exemption should be approved by the authorized approver after being cleared by the Programme Review Committee, to avoid conflicts of interest and to promote the risk control of projects;

(e) Enhance the engagement of the Programme Review Committee in project monitoring and evaluation, including clarifying relevant work responsibilities and identifying the primary key tasks of projects between different phases;

(f) Ensure that the ICT requirements of all divisions and offices are effectively coordinated and consolidated in the development of applications;

(g) Strengthen its management of consultants and individual contractors by further clearly defining their roles, responsibilities and authorization levels within the agency's hierarchy to ensure that they do not exceed their delegation of authority.

H. United Nations Children's Fund

147. The Board found that UNICEF had not carried out financial spot checks of some of its implementing partners during 2022. Regarding other implementing partners that were the subject of spot checks, UNICEF reports indicated that the expenditure reviewed had been incurred in prior fiscal years.

148. The Board noted shortcomings in the ICT security measures required by the organization in the vulnerability management process. Among those deficiencies were low compliance with addressing reported vulnerabilities and failure to resolve several alerts of high or medium severity. It was also noted that the UNICEF system migration process did not allow the monitoring and mitigation of risks resulting from the vulnerabilities detected, for example, the releasing of security patches. Lastly, it was observed that UNICEF had not performed the penetration test since 2019, thus hindering a general and complete analysis of the functioning of the controls that regulate that process.

149. Following a review of the policy on enterprise risk management in UNICEF, it was noted that there was no clear definition or formal document setting out the responsibilities of governing bodies in that regard.

150. The Board noted difficulties in allocating a funding source to UNICEF staff that could cover the entire duration of their contract.

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

(a) Take measures to reduce the gaps between the time the expenditures are reported by the implementing partners and the spot checks are performed by the organization to ensure the effectiveness of this assurance activity;

(b) Identify the root causes of delays in spot checks and take concrete and proactive measures to address them;

(c) Strengthen its controls over the vulnerability management process by analysing active vulnerability alerts issued by the security tools and promptly resolving them based on the associated risk;

(d) Involve the local ICT offices in the process of addressing the vulnerabilities identified more actively;

(e) Complete the roll-out of Ivanti and ensure the validation of the deployment of operating system patches and security updates on employee workstations;

(f) Carry out the penetration test as soon as possible and then continue to test annually as required by the procedure;

(g) Clearly describe in its policy on enterprise risk management the roles and responsibilities of the Executive Board, the Legal Office, the Evaluation Office and the Ethics Office;

(h) Revise the existing post management procedure to adequately reflect the reality of the challenges faced by its offices in allocating funds and ensure their timely assignment;

(i) Implement systems to monitor the funding situation of staff members.

I. United Nations Institute for Training and Research

152. The Board observed that advance transfers to implementing partners during 2022 had not been recognized as expenditures, amounting to $2.87 million in the corresponding financial period, even though the implementing partners had previously provided the related financial reports to the Institute and these had been certified by the programme manager. This non-recognition was due to an absence of proper communication between the parties involved.

153. The Institute has not proactively requested any audit reports related to grants transferred from UNITAR to implementing partners during 2021 and 2022 as the responsibility for reporting on these matters was delegated to the implementing partners themselves. In addition, as at the date of the present review, the Institute had not yet developed key criteria that would allow management to determine what kind of assurance activities are to be conducted, or when, how and under what circumstances.

154. After analysing programme performance reports issued between the bienniums 2016–2017 and 2020–2021 and information extracted from the events management system in 2022, it was verified that only 25 per cent of participants in the Institute's learning programmes had been awarded completion certificates. This denotes a decreasing trend in the number of completion certificates awarded, from 42 per cent in the biennium 2016–2017 to 21 per cent in the biennium 2020–2021, running counter to the increasing number of participants at learning events during these periods. This is especially relevant for an organization such as UNITAR, one of whose main objectives is to provide and facilitate knowledge, skills and attitudes to its beneficiaries.

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

(a) Develop effective controls to ensure that the expenditures reported by the implementing partners are recognized and recorded in a timely manner;

(b) Improve project management by requesting and monitoring all overdue financial reports of the implementing partners in accordance with their grant-out agreement provisions;

(c) Develop clear guidance on assurance activities, including but not limited to the $200,000 threshold, clear definitions and comprehensive guidance on when an assurance activity should be applied for the expenditure reported by the implementing partners, as well as establish specific criteria on when activities are to be performed internally or externally and clear guidelines for its staff to correctly perform the assurance activities when applicable;

(d) Define a schedule for assurance activities that allows implementing partners to be reviewed within a reasonable time frame;

(e) Undertake an evaluation of learning-related programming, with a view to better understanding factors driving completion and action that can be taken to further improve overall completion certificate rates in the future;

(f) Establish a realistic target for completion certificate rates for 2023 based on work undertaken and measure performance with the aim of increasing rates in the future.

J. Office of the United Nations High Commissioner for Refugees

Finance and budget

156. The UNHCR statement of financial position (statement I) departs from paragraph 95 of IPSAS 1: Presentation of financial statements and paragraphs 8 and 65 of IPSAS 39: Employee benefits, as the employee benefits fund balance offsets the associated liabilities rather than showing a cash position. This issue was noted in 2019 in the Board's report for the year ended 31 December 2018 (A/74/5/Add.6). In response to the respective audit observations, and in line with paragraphs 31 and 32 of IPSAS 1, UNHCR decided to state in the financial statements for 2022 that it exceptionally departs from the requirements resulting from the combination of paragraph 95 of IPSAS 1 and paragraphs 8 and 65 of IPSAS 39 to comply with its internal financial rules that deviate from these standards.

157. However, the Board considers that, beyond technical aspects regarding IPSAS compliance, the current presentation does not reflect in statement I, but in the notes to the financial statements only, two major facts:

(a) The Staff Benefits Fund, as at 31 December 2022, is a positive reserve amounting to $737.7 million (and not a "negative reserve" of $351.2 million) and, correspondingly, the accumulated surplus amounts to $2,765.1 million (and not $3,854.1 million);

(b) The assets of the Staff Benefits Fund are not "ring-fenced" from other UNHCR assets, as the Staff Benefits Fund is not a legally separated "long-term employee benefit fund" as defined in paragraph 8 of IPSAS 39. The decision to establish this fund does not imply that it is available to be used only to fund employee benefits, since they remain available to the reporting entity's own creditors.

158. The Board considers that UNHCR further improved the comparison of budget and actual amounts (statement V and note 7) by addressing all the requirements of IPSAS 24: Presentation of budget information in financial statements. In previous

financial statements, this comparison was not made between available budget resources and actual expenses, as required by IPSAS 24, but between the "approved needs-based assessment", built on an estimate of the needs of UNHCR as reviewed and approved by the Executive Committee of the Programme of the United Nations High Commissioner for Refugees, and actual expenses. The introduction of the last estimate of available funding by management for the year corresponds to the definition of an "approved budget" for the purposes of paragraph 7 of IPSAS 24.

159. Several weaknesses were found in the accounting for stocks, inventories and consumables. In particular, the Board noted (a) some shortcomings in the calculation method for the capitalized freight costs; and (b) the use of the same identifiers for items that are sometimes different in nature, which does not allow for a reliable valuation of the average costs.

160. The Board notes that the respective responsibilities of UNHCR and its external actuary in the performance of key controls on complex parameters, such as assumptions, census data and the sensitivity analysis, need to be clearly defined. The considerable financial amount related to post-employment benefits requires a more structured approach to monitoring.

161. The Board is of the view that some assets are probably overvalued: an impairment should be assessed at year-end for vehicles kept over a long period in a global stockpile warehouse before being dispatched ("long in transit" status) in order to comply with IPSAS 21: Impairment of non-cash-generating assets.

162. Regarding the statement of internal control process, the Board is of the view that the self-assessments issued by each country office should be cleared by regional bureaux, as they have an in-depth knowledge of the strengths and weaknesses of the entities under their oversight, before being forwarded to headquarters.

163. The Board also considers that the statement of internal control and the enterprise risk management policy processes would benefit from enhanced coordination and information-sharing in order to focus on the most useful needs, in terms of oversight and accountability, and lighten the burden on managers.

164. User access provisioning, deprovisioning and periodic review in the Managing Systems, Resources and People (MSRP) information technology system were not thoroughly performed by UNHCR. The Board is of the opinion that key controls on these processes should be implemented.

Risk management

165. UNHCR risk management has achieved a high level of maturity. However, significant margins for improvement remain, in particular with regard to the effectiveness and consistency of risk management in the field, as follows:

(a) The online risk register tool has been consistently upgraded and is now a valuable device for risk management, but the usefulness of managing the lowest risks is uncertain;

(b) The added value of regional bureaux in risk management could be improved through multi-country or regional reporting;

(c) The key objective of integrating risk management into the operational cycle has not yet been fully achieved;

(d) Greater consistency is also needed among operations with regard to the prioritization of risks and the practice of risk escalation.

166. Beyond the preparation of a corporate risk appetite statement, which is well under way, experimenting with rolling out and operationalizing this type of tool at the country level requires a robust methodology adapted to diverse environments.

Procurement

167. UNHCR procurement is monitored by a set of rules that have recently been consolidated and updated. Nevertheless, some shortcomings still need to be addressed to improve effectiveness and efficiency. They concern notably:

(a) In normal situations, the significantly increased threshold for formal solicitation, raising the risk of the principles of best value for money and of fair competition not being abided by, as well as of fraud and corruption;

(b) In situations of emergency, the submission of contract awards for review by the regional committee on contracts.

168. Managing procurement involves strategic leadership at the highest level, going beyond technical day-to-day considerations.

169. UNHCR also needs to reinforce its expertise on procurement, to ensure that at each level of management – headquarters, regional and country – the needs in terms of functions related to procurement are precisely identified and the proper initial and continuing training is in place.

170. The UNHCR practice of procurement planning appears to suffer on the one hand from weak monitoring of the existing tools, notably the country-level "consolidated procurement plans", and on the other hand from a lack of more comprehensive purchase planning, allowing for anticipation of the needs of each entity and the development of tools to monitor those entities and better align with budgetary processes.

171. UNHCR still needs to fine-tune the definition of the level – global, regional or country – at which procurement appears to be the most relevant and efficient.

172. UNHCR has difficulties in making the best use of its stocks and avoiding unnecessary purchases or waste. More systemic and automated checks need to be set up to ensure effective linkages between procurement and inventory management.

173. UNHCR has recently clarified the oversight function of its regional bureaux. A decisive step will now be to implement this new framework and effectively empower the regional bureaux as the second "line of defence" in the management of risks related to procurement. Among other things, they will become fully accountable for their reporting on the quality of procurement planning and management at the country office level and take all relevant measures to help mitigate the critical risks identified. Meanwhile, the country offices also need to strengthen their "first line of defence" internal controls on risks, especially on procurement that is not covered by their committees on contracts.

174. A number of weaknesses concerning the compliance of UNHCR procurement practices with applicable rules have been identified, related to the absence of purchase order management, inadequate documentation to support payments, and contract award processes departing from the principles of fairness, transparency, best value for money and the interests of the organization, as well as incomplete information being provided to the members of committees on contracts.

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

(a) Apply specific inventory identifiers, instead of generic ones, for items that are not similar in nature;

(b) Take the opportunity of the new Cloud ERP system to improve the quality of the freight costs calculation;

(c) Issue a policy on employee benefits liabilities valuation describing the controls attributable respectively to UNHCR and its actuary;

(d) Record all necessary impairments through an annual review of all assets older than one year, especially of vehicles held in three warehouses (Chon Buri, Thailand, Dubai, United Arab Emirates, and Rotterdam, Kingdom of the Netherlands);

(e) Enhance the role of the regional bureaux in the internal control process;

(f) Secure all access rights in its new enterprise resource planning system, taking into account the segregation of duties and changes in employee positions;

(g) Ensure more consistency in the way risks are reviewed and can be escalated at the level of regional bureaux, and reassess the level of monitoring needed on the less critical ones;

(h) Adopt, as a complement to the issuance of its corporate risk appetite statement, a consistent methodology for defining internally its tolerance for operational risks at the field level;

(i) Revise the 2021 procurement framework by (i) lowering the threshold for formal solicitation to ensure effective monitoring and oversight of procurement actions; and (ii) addressing key loopholes, particularly in terms of planning, training and staff qualifications;

(j) Enhance strategic leadership on procurement at the highest level and allocate as efficiently and effectively as possible the procurement activities to be carried out at the country operation, regional bureau and headquarters levels;

(k) Define and implement a prioritized demand and supply plan for each entity, and define tools and additional mechanisms to monitor procurement throughout the year;

(l) Develop a more systemic approach in the way that procurement and inventory management are linked;

(m) Strengthen the role of the second “line of defence” in key internal controls on procurement processes, including at the regional level;

(n) Regularly undertake a review of the most frequent cases of non-compliance in procurement identified by the relevant procurement review authority, and put in place appropriate measures to tackle the root causes of those weaknesses, in order to improve the oversight of procurement processes at all levels.

K. United Nations Joint Staff Pension Fund

176. The Board reviewed the implementation of the recommendations of the Task Force on Climate-related Financial Disclosures, and it was observed that the sustainable investment approach was not addressed by the Internal Investment Committee. In addition, the sustainable investment team designed a workplan to address the sustainable investing strategy, but without detailing the specific activities, staff responsible, goals, benchmarks and deadlines for compliance with the broad topics established in its strategic plan for 2022–2023 and the recommendations and targets to which it committed. The Office of Investment Management provided the list of engagements for which commitments had been made for closure by 2025 which

did not have a timeline that could clarify how the closure of those engagements would be achieved and what the strategy in this matter would be.

177. The Board reviewed a sample of investment purchases, and it was observed that there were transactions without the investment rationale analysis on environmental, social and governance matters completed by the Office of Investment Management. For the sample of fixed-income transactions, it was noted that the Office did not use the environmental, social and governance dashboard, and that there was no investment recommendation made by the Office and no investment rationale analysis on environmental, social and governance matters.

178. In addition, the Board reviewed the Office's environmental, social and governance reports for the first and second quarters of 2022 for equities issued, which showed that there were securities with reports indicating that they had the highest carbon emissions and low Morgan Stanley Capital International environmental, social and governance ratings, and that some companies presented high-impact controversies, with red or orange flags in the first quarter.

179. On the basis of the audit findings, the Board recommends that the Office of Investment Management:

(a) Strengthen the role of the Internal Investment Committee to oversee the Office's approach to sustainable investment;

(b) Develop and implement a workplan to address and close the 70 engagements committed to, and to include the metrics and targets to meet the objective of reduced financed emissions in other asset classes by 2025, with the purpose of complying with the Net-Zero Asset Owner Alliance timetable committed to;

(c) Revise and adjust the current sustainable investing implementation guidelines to ensure that the activities to be considered are aligned with the nature of the investment and the current operation for each asset class;

(d) Strengthen and evaluate its current monitoring mechanism to ensure that the environmental, social and governance metrics are being effectively integrated into the investment decision-making process, in order to comply with the investment policy statement and environmental, social and governance guidelines.

L. United Nations Office on Drugs and Crime

180. In its review of assets recognized as property, plant and equipment at UNODC, the Board noted several items that did not meet the criteria to be recognized as such.

181. The Board observed that the income of the fund "64DCR" amounted to $22.32 million, approximately three times the expenditure registered as at 31 December 2022, resulting in excess income of $15.59 million in the same period.

182. After analysing the UNODC risk register, the Board observed that some elements had not been properly updated. In addition, a delay in the risk management process was observed, as it had been extended for more than one year. The Board also noted that some actions established in the report provided to the UNODC Executive Committee in December 2021 had not been included in the risk treatment and response plan, and that some risk treatment actions did not include enough information with regard to the impact of the mitigation measures.

183. The review of grants registered in Umoja showed a large number of expired grants with pending operational closure, delayed for more than six months as at 31 December 2022.

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

(a) Conduct a complete assessment of the property, plant and equipment recognition criteria by evaluating whether a change in this approach could better represent the nature of the construction assets currently classified as property, plant and equipment in the financial statements of UNODC, as well as the financial impact of a possible change in this approach;

(b) Take the actions necessary to further ensure that the balance of the fund "64DCR" is maintained at an appropriate level in accordance with relevant policies and guidance;

(c) Update the risk register, as well as the risk response and treatment plan, which should also include specific and measurable risk treatment actions, to ensure that the results of the risk management process are accurately reflected and aligned in both documents;

(d) Implement further effective measures and timelines, such as those implemented in its field offices, to allow for the efficient management of grants with extended operational closing status.

M. United Nations University

185. The Board noted that there were personnel in positions that were not contracted by the United Nations University-Maastricht Economic and Social Research Institute on Innovation and Technology. In addition, the Institute had appointments with other consultants that were not included in the organizational chart. Moreover, the cooperation agreement had not been formally updated as at 31 October 2022, with regard to the programmes to be developed and their participants, which resulted in various administrative issues.

186. The Board compared the 2022 risk registers with its 2021 versions and noted that the same deficiencies were present in the risk registers in both years, such as a lack or incorrect designation of risk owners, and the omission of risks. In addition, the Board found no evidence of a discussion of the risk assessment process, nor of the significant risks identified by the institutes. Lastly, the Board noted that key personnel involved in the process had not received relevant training related to risk management.

187. The Board reviewed the risk registers and noted that one institute had not completed them in 2022. In addition, only 64 per cent of the risks had been assessed and no explanations were included to justify the remaining 36 per cent. Moreover, the Board identified calculation errors in the residual risk scores, and observed that the scoring criteria for measuring the impact and likelihood of risks related to financial impacts used the same values as the United Nations Secretariat methodology and were not adapted to the UNU budget.

188. The Board reviewed the transactions from the database of invoices extracted from the new enterprise resource planning system, Quantum, received from January to March 2023. It was noted that there were transactions related to the financial year 2022 that had not been accrued by the University, totalling $80,459.

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

(a) Ensure that the United Nations University-Maastricht Economic and Social Research Institute on Innovation and Technology revises and amends periodically the cooperation agreement signed on 1 May 2007, in accordance with the duration of the programmes, to specify the boundaries of activities carried out by each party;

(b) Ensure that the United Nations University-Maastricht Economic and Social Research Institute on Innovation and Technology, together with Maastricht University, formally specify the guidelines to be applied to all personnel involved in the Institute's activities to ensure compliance with UNU standards;

(c) Ensure that management thoroughly reviews the risk registers in order to detect errors and inconsistencies in the risk assessment process and to correct them in accordance with the risk policy;

(d) Maintain a record of the main issues and recommendations discussed during management group meetings related to the enterprise risk management process;

(e) Provide training to the key personnel involved in the risk management process;

(f) Ensure that all institutes document their risk assessment process using the risk register;

(g) Include in the risk registers a justification whenever a risk of the UNU risk universe is not applicable;

(h) Update the risks included in the risk register for utilization in the UNU-wide risk assessment process;

(i) Adapt the reference values of the financial impact in the scoring criteria table to its budgetary context;

(j) Take measures to ensure that institutes use the score scale adopted by UNU when assessing risks' impact and likelihood, and when calculating the risk scores; and

(k) Identify formally the cause of transactions not being captured in the accounts payable process, and based on that, design and implement a control mechanism over the year-end closing process for the accruals of accounts payable that allows the University to track, review and reconcile any unrecorded liabilities.

N. United Nations Office for Project Services

190. UNOPS set the zero net revenue targets for the biennial budget estimates from 2012–2013 to 2022–2023, which had been approved by the Executive Board. However, UNOPS failed to achieve the targets for all the bienniums, and the actual revenue was always higher than the estimated one in the budget. The Board noted that the UNOPS existing pricing model had not taken into account the management budget expenses and net revenue targets of upcoming years. A lack of connection between pricing and budgeting may have a negative impact on the effective control of the accumulation of surpluses and reduction of financial risks.

191. The unrealized losses of the investment portfolio in UNOPS as of the end of December 2022 amounted to $60 million. The working capital portfolio accounted for the majority of those losses, amounting to $46.67 million. In addition, the Board noted that the Investment Advisory Committee had held fewer meetings than required, while some investment risks were not well recognized and addressed.

192. UNOPS did not explicitly specify the use of project cash advances received for investment in the agreements signed with partners, and interest terms for only a few agreements were explicitly stipulated therein. The Board sought confirmation with 97 partners, involving a total amount of $1.8 billion in prepayment funds. Responses were received from 12 partners, corresponding to a total amount of $137.75 million. Most of the responding partners were unaware that UNOPS had used the received

prepayments for investment and expressed disagreement or indicated a lack of authorization for UNOPS to do so. In addition, one partner was unaware of and did not receive any investment returns.

193. The early termination of the consolidated purchase of medicines and medical supplies, with a total contract value of $6.1 billion, requested by the UNOPS government client in August 2022, increased the reputation risk of UNOPS. The project was awarded the United Nations procurement award in October 2022. The lack of a thorough review by UNOPS of the causes behind the early termination leaves UNOPS responsibility unclear, hindering the learning and future sharing of valuable lessons to improve UNOPS procedures, tools and systems.

194. As of the end of 2022, all defaulted loans associated with Sustainable Investments in Infrastructure and Innovation projects had been impaired in full, with a total impairment amount of $58.8 million. UNOPS stated that it was not privy to information regarding the progress of the fund recovery, given that it had handed over the recovery task to the Office of Legal Affairs.

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

(a) Review its budget and price-setting practices and take measures to ensure that the cost-recovery/fee-setting algorithm is based on the needs of UNOPS in order to fund its management expenses for the budget period;

(b) Conduct a thorough identification and assessment of the potential risks of the portfolios to ensure that risks are mitigated;

(c) Include a detailed reference to the treatment of interest collected on prepayments made by partners and a clear reference to UNOPS investment principles in all legal agreements with partners, to ensure that partners are fully informed of the use by UNOPS of prepayments for investment;

(d) Conduct a comprehensive review and analysis of the consolidated purchase of medicines and medical supplies, with a focus on identifying the causes of early termination, to improve project management;

(e) Take all measures necessary within its remit to recover the funds associated with Sustainable Investments in Infrastructure and Innovation investment losses.

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

196. The Board noted that the Advisory Committee on Resource Allocation had not convened meetings in 2022 to discuss budget allocation and provide recommendations to the Commissioner-General, as mandated in UNRWA organizational directive No. 31. As a result, the annual budget for 2022 had been forwarded directly to the Executive Advisory Group without the Advisory Committee's recommendations. Furthermore, there had been a failure to develop an annual workplan and calendar to schedule Advisory Committee meetings, as required in organizational directive No. 31. The underperformance of the Advisory Committee raised concerns regarding the potential risk of inefficient allocation of budget resources.

197. The Board noted significant delays in the distribution of approved selective cash assistance payments, with 376 outstanding payments (48 per cent) not distributed at the end of 2022. The delays raised concerns about the potential undermining of the primary objective of the selective cash assistance programme, which was aimed at providing timely emergency support to families and individuals facing extreme hardship.

198. The Board noted that a notable percentage (41 per cent) of daily paid workers, including teachers and nurses, employed by UNRWA had exceeded the prescribed two-year limit, which disregarded the guidelines specifying their engagement for strictly temporary assignments. That indicated a potential replacement of permanent positions, was a hindrance to professional development and had possible implications for the quality of education and medical services provided to refugees.

199. The Board noted a significant increase in cumulative dropout rates at UNRWA schools, reaching 0.86 per cent at the elementary level in 2021/22, the highest level since 2017/18, and rising to 2.83 per cent at the preparatory level in the same year, accompanied by a lack of comprehensive data and unified guidance, which hindered effective measures to address the issue and contradicted the UNRWA emphasis on providing targeted interventions to disadvantaged students, as outlined in the UNRWA medium-term strategy 2016–2021 (extended to 2022).

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

(a) Fully clarify the respective roles and interrelationship of the Advisory Committee on Resource Allocation and the Executive Advisory Group in order to further improve the procedures for reviewing budget allocation;

(b) Set up a reasonable time frame for the cash distribution process, streamlining administrative procedures and leveraging technology to facilitate payments and ensure that selective cash assistance is distributed in a timely manner;

(c) Take effective measures to gradually reduce reliance on daily paid workers, particularly in education and medical care, and to mitigate personnel instability and associated management risks that may arise from a high ratio of daily paid workers;

(d) Continue to conduct periodic reviews on the pattern and causes of dropping out and make a concerted effort to promote the sharing of good practices and to strengthen the academic engagement of students from a more unified perspective to gradually reduce the dropout rate.

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

201. The Board reviewed the strategic plans 2018–2021 and 2022–2025 and noted that there were funds not allocated to or tracked for Sustainable Development Goals. Furthermore, there were unregistered results at the project level, as well as delays in annual planning, quarterly monitoring and annual reports.

202. The Board detected limited progress related to an organization-wide policy on environmental sustainability in programme matters. Likewise, country offices did not apply environmental standards in their functions to contribute to Sustainable Development Goal 13.

203. The Board reviewed the partnership assessment conducted of a private sector partner and noted that the process had been built on the basis of imprecise risk information and, consequently, a conclusion had been provided that had not clearly taken into account several background facts collected regarding the partner.

204. On the basis of the audit findings, the Board recommends that UN-Women:

(a) Strengthen its procedures on traceability of funds used in the Sustainable Development Goals in order to have an objective process that allows for the monitoring of results over the years;

(b) Align the results obtained at the project level with all processes carried out in the Entity's strategic notes and strategic plan in order to have access to accurate information about the use of its limited resources;

(c) Enhance its planning, monitoring and reporting processes related to its strategic plan in order to have accurate and timely information on all business units, thus strengthening accountability and achievements related to compliance and advances of the strategic plan;

(d) Expedite the promulgation of an organization-wide policy to guide environmental initiatives in the programme area with the purpose of involving all the stakeholders related to the execution of programmes to accomplish environmental standards;

(e) Provide support that enable its offices to implement concrete actions that contribute to the improvement of environmental indicators in the strategic plan;

(f) Perform awareness activities for all personnel from the different governance levels to highlight the relevance of having accurate and rigorous information that will be considered as a base of the risk-informed decision-making process to establish partnerships with the private sector;

(g) Establish a clear interconnection between the documents that are the inputs for up-to-date company-level risk categorization, which informs decision-making based on risk for the partnership with the private sector;

(h) Strengthen the process for assessing private sector partners by clearly defining decision-making aspects and their actions to be followed, key concepts and the frequency in which an event could occur and may impact the Entity, aiming to enable a more efficient and refined company risk categorization.

Q. International Residual Mechanism for Criminal Tribunals

205. It was noted in Umoja that assets appeared under the status of "equipment not found". Even though those assets had been fully depreciated, their disposal processes had not yet been performed in Umoja. In addition, it was observed that those assets had not been found and that the causes of and responsibility for their loss had not been determined.

206. On the basis of the audit finding, the Board recommends that the Mechanism:

(a) Take action to initiate the disposal processes of the assets with the status "equipment not found", in accordance with the instructions in force;

(b) Carry out the process to assign responsibilities, in order to determine eventual obligations and the root causes of the loss of assets, in a timely and effective manner.

IV. Financial and budget management

207. A budget is a key tool for ensuring that financial and human resources are allocated in a manner that is aligned with an organization's strategic and programmatic objectives. A budget should therefore reflect an organization's long-term and short-term objectives and priorities and communicate the management's views on the resources required to achieve them, which will then promote a culture of accountability and good governance.

208. A comprehensive and overarching financial and budget policy framework then lays down a structured framework for financial and budget management, ensuring

that financial resources are properly collected and allocated, effectively and efficiently used, and duly measured and reported. Efficient and effective budget management can contribute to the fulfilment of the mission, facilitating the Administration in making informed financial decisions, maintaining self-discipline to achieve predetermined goals and contributing to the overall performance and accountability of the system.

209. A recap of the resolutions in this regard demonstrates the emphasis and efforts of the General Assembly in strengthening the financial and budget management for United Nations (Vol. I). In its resolution 55/231, the Assembly introduced results-based budgeting frameworks as part of the medium-term plan for the period 2002–2005. In its resolution 62/236, the Assembly requested the inclusion of resources from other funding sources. In its resolution 72/266 A, the Assembly approved the annual programme budget on a trial basis for the regular budget and decided that the proposed programme budget should consist of three parts, and that parts I and II should be submitted to the Committee for Programme and Coordination and part III to the Advisory Committee on Administrative and Budgetary Questions for the consideration of the General Assembly, with the aim of strengthening the financial and budget discipline. In its resolution 77/267, the Assembly requested the Secretary-General to continue with the submission of the programme budget according to an annual cycle.

210. Financial and budget management has also been included in the 16 critical areas of strategic and operational risks identified in the Secretariat-wide risk register, which was approved by the Management Committee in July 2020, for example in the areas of strategic planning and budgeting and budget allocation; and extrabudgetary funding, donor fund management and implementing partners. In this regard, the Board noted that findings relating to financial and budget management constituted the most significant part of key findings across all 18 entities in its audits for the year ended 31 December 2021. In case of the United Nations (Vol. I), the Advisory Committee on Administrative and Budgetary Questions noted with concern the observations contained in the report of the Board of Auditors on the financial statements of the United Nations for the year ended 31 December 2021 over the absence of, as well as non-compliance with, the regulations and rules in relation to budget management, which had weakened the budget discipline and control (see A/77/574).

211. In response to the concerns and given the importance of financial and budget management and its significance to the delivery of the mandates and the stewardship of the resources of the United Nations entities, a special section covering the financial and budget management of 17 entities for the 2022 financial year has been included in the present report.

A. Results of the survey

212. In order to get a view on how budget management is perceived across various entities, the Board conducted a survey among 15 entities.[6] The results are summarized below.

213. On the role played by the budget in governance and accountability, 14 entities responded that: (a) the policy framework for budget management at the entity is perceived as sound and complete; (b) the mandate, objectives, expected results, performance indicators and resource estimation are considered to be duly reported in the budget documentation; and (c) they were closely and duly monitoring the

[6] United Nations (Vol. I), United Nations peacekeeping operations, ITC, UNEP, UNFPA, UN-Habitat, UNICEF, UNITAR, UNJSPF, UNODC, UNOPS, UNRWA, UNU, UN-Women and IRMCT.

expenditure as well as the delivery of the objectives against those contained in the budget.

214. In terms of the financial and budget management structure, the survey results show that senior leadership feels duly committed and attaches great importance to financial and budget management. Eleven entities stated that they had established a high-level mechanism for financial and budget management, such as a budget steering committee, an executive leadership team or a resource stewardship executive group, or an equivalent, to give guidance, decide on fund allocation and monitor budget implementation, among other things.

215. Regarding the practices in budgeting, the survey results indicated that they vary from entity to entity. In terms of budgeting methodology, 13 entities declared that they used results-based budgeting frameworks, which consisted of a number of elements that would build on and strengthen the existing programme planning, budgeting, monitoring and evaluation framework and procedures. One entity stated that it used activity-based budgeting, and another that it used natural growth budgeting. In terms of a budget guide, 13 entities responded that they had issued a budget guide on their own and 2 entities had followed the budget guide provided by the United Nations Secretariat. Specific guidelines on the standard cost ratio have been issued for peacekeeping missions and special political missions. For budgeting tools, following the roll-out of Umoja, the survey confirmed that the Business Planning and Consolidation module is considered to be widely used for the regular budget in six entities, while for extrabudgetary resources, Excel-based costing sheets or other internally developed online tools for the submission of the budget are said to be applied.

216. These statements represent the viewpoints of the respective entities on the soundness of the policy framework as well as their implementation of it, which does not indicate the Board's assertion thereof. Instead, while acknowledging the efforts by the respective entities to improve budget management, the Board has noted some weaknesses in this regard (see subsection "C" below).

B. Budget implementation in the entities

217. The Board conducted an analysis of the budget and actual expenditure statements and noted that of the 18 audited entities, 17 had managed to stay within their allocated budgets, as shown in table 10. UNOPS expenditure in 2022 exceeded its appropriation by $23.73 million (22.75 per cent), which is mainly due to the impairment of Sustainable Investments in Infrastructure and Innovation investments and the fact that UNOPS does not budget internally for write-offs, provisions or contingency surplus.

218. Expenditure incurred by UNHCR, UNICEF and UNRWA was lower than the appropriation by more than $100 million. The 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 therefore may deviate from actual expenditure. In 2022, the actual funds available amounted to $6.18 billion compared with the projected appropriation of $10.71 billion. Since UNHCR uses the needs-based budgeting methodology, its budget estimates are not immediately comparable with those of other entities.

219. For UNRWA, the significant variance of $162 million between expenditure and appropriation is the result of various factors, including management actions to reduce the cash shortfall, cash and food distribution from the social safety net programme, and other budget reserves.

220. The total budgetary expenditure of UNICEF was $9.16 billion against the appropriation of $9.72 billion. The “other resources” budgets were determined by donor contributions to country programmes and humanitarian action. They were received throughout the year, including in the last three months of the financial year. Those contributions were added to the final budget when agreements were entered into. The programmes were implemented in the final quarter of the year and in future years, which caused the difference of $557.31 million between the final budget and the actual expenditure.

Table 10
Status of the budget at various entities for the year ended 31 December 2022
(Thousands of United States dollars)

	Total budget 2022			
Entity	*Appropriation*	*Expenditure*	*Difference between expenditure and appropriation*	*Difference as a percentage of total budget appropriation*
United Nations (Vol. I)[a]	3 257 755	3 236 269	21 486	0.66
United Nations peacekeeping operations	6 446 287	6 394 211	52 076	0.81
ITC	39 725	38 349	1 376	3.46
UNCDF[a]	13 514	13 168	346	2.56
UNDP[a]	774 353	746 973	27 380	3.54
UNEP	121 925	97 162	24 763	20.31
UNFPA[a]	523 503	482 866	40 637	7.76
UN-Habitat[a]	251 720	203 478	48 242	19.16
UNICEF	9 716 260	9 158 947	557 313	5.74
UNITAR	41 876	41 397	479	1.14
UNHCR	10 714 003	5 607 083	5 106 920	47.67
UNJSPF	121 819	112 922	8 897	7.30
UNODC	394 733	389 340	5 393	1.37
UNOPS	104 303	128 028	(23 725)	(22.75)
UNRWA	1 046 790	884 268	162 522	15.53
UNU	68 213	57 223	10 990	16.11
UN-Women	556 532	546 689	9 843	1.77
IRMCT	89 690	82 708	6 982	7.78

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.

221. A comparison of the approved budget and the total revenue for the year ended 31 December 2022 is presented in table 11. The Board analysed the financial statements of 17 audited entities and noted some variances. Details are described in the paragraphs below.

Table 11
Approved budget and total revenue for the year ended 31 December 2022
(Millions of United States dollars)

Entity	*Approved budget*	*Total revenue*
United Nations (Vol. I)[a]	4 848.20	7 348.27
United Nations peacekeeping operations	6 370.98	6 768.86
ITC	39.73	155.95
UNCDF	13.51	202.00
UNDP	774.35	5 834.48
UNEP	121.93	954.16
UNFPA	523.50	1 531.97
UN-Habitat	257.74	187.85
UNICEF	9 716.26	10 329.06
UNITAR	47.12	43.87
UNHCR	10 714.00	6 072.56
UNODC	375.13	430.65
UNOPS[b]	104.30	1 224.42
UNRWA	1 046.79	1 190.22
UNU	68.21	57.22
UN-Women	556.53	671.07
IRMCT	89.69	80.24

[a] The approved budget includes appropriations, commitment authorities and income estimates authorized in resolutions of the General Assembly. The total revenue includes voluntary contributions and revenue from other sources.
[b] The approved budget for UNOPS covers only the management budget, while total revenue as stated in the financial statements includes, in addition to the management budget, total proceeds from projects implemented where UNOPS acted as principal during the year.

222. Among the 17 entities, 12 had total revenue exceeding the approved budget, by a total amount of $12.03 billion. Variances at United Nations (Vol. I), UNOPS and UNFPA were $2.50 billion, $1.12 billion and $1.01 billion, respectively. Such variances may indicate that some of the resources may not have been fully reported in the budget.

223. For five entities, total revenue was lower than the approved budget, by a total amount of $4.74 billion. UNHCR witnessed the biggest gap, with the approved budget of $10.71 billion against the total revenue of $6.07 billion, indicating that the budgeted amount of $4.64 billion was not achieved.

C. Findings in financial and budget management

224. A sound policy framework provides clear guidance, ensuring clarity, consistency and transparency and thus contributing to better efficiency and effectiveness in the fulfilment of the missions. The Board specifically focused on the soundness of the financial and budget-related policy framework and its implementation in 2022 across some of the entities, and noted some weaknesses, which may result in inconsistency, lack of clarity, ambiguity and financial inefficiency, among other issues, as well as instances of non-compliance, as detailed

below. In the coming months, the Board intends to deepen its analysis on financial and budget management in several entities in particular.

1. Absence of regulations and rules in some areas

225. With regard to UNOPS, in relation to cost recovery of shared services, as at the end of 2022, the balance of locally managed direct costs in the account of project cash received in advance was $20.69 million, which indicated the overrecovery of shared services costs from projects. This was due mainly to the fact that there was no consistent budgeting and recovery mechanism of locally managed direct costs in all offices.

226. In the case of UN-Habitat, "unearmarked grants" were created to accumulate remaining contributions from donors and interest income of earmarked funds after due diligence had been carried out or in the absence of instructions from donors. The Board noted a cash balance of $17.79 million for three sampled unearmarked grants as at the end of 2022. However, no guidance had been issued in that regard, which may have a negative impact on the efficient and effective management of funds.

227. Regarding United Nations (Vol. I), for budget management, owing to the lack of a formalized guideline on the information and methods for the review of the ICT budget proposals submitted by the entities, and of effective follow-up measures to ensure that the entities implement the requests and recommendations of Office of Information and Communications Technology, the central review on the ICT budget proposals by the Office was not properly conducted.

228. The respective responsibilities of UNHCR and its external actuary in the performance of key controls on complex parameters, such as assumptions, census data and the sensitivity analysis, need to be clearly defined. The lack of a clear definition of responsibilities may have a negative impact on the monitoring of the considerable financial amount related to post-employment benefits. A policy on employee benefits liabilities valuation describing the controls attributable respectively to UNHCR and its actuary needs to be developed.

2. Opportunities for improvements to some regulations, rules and guidelines

229. With regard to United Nations (Vol. I), the Board noted that as at 31 December 2022, the net assets of the programme support cost funds totalled $215.41 million ($207.89 million in cash and cash equivalents), compared with the amount of $139.32 million as at year-end in 2017. The overall operating reserve level of the programme support cost funds ranged from 1.31 times to 1.63 times during the period from 2017 to 2022, and according to the Administration had not yet reached the level that was considered sufficient for coverage of the unfunded large future liabilities and contingent reserves. This indicated that the 20 per cent operating reserve policy set out in 1982 in the administrative instruction on programme support accounts (ST/AI/286) was outdated and needed to be updated to reflect additional policy guidance provided in a memorandum issued in 2012 and subsequent guidance issued by the Controller, including to reflect changes derived from enhanced delegation of authority.

230. Owing to the ambiguity in the current allocation rules relating to passenger vehicles and computing devices, the budget proposals for vehicles and computing devices of some sampled special political missions were not accurate to the extent possible. As at 31 December 2022, the actual vehicle holdings of 15 missions and the actual computing device holdings of 26 missions had exceeded their standard allocation quantity for 2022.

231. Likewise, owing to the improvements needed in formulating resource requirements for multi-year capital construction budgets, the construction fund experienced an overall upward trend in its cash balance from 2016 to 2022. As a result, the cash balance reached a substantial total of $140.83 million as at 31 December 2022, a significant increase of 240 per cent compared with the balance at the end of 2016.This increase can be attributed primarily to the mismatch between the resource request in the budget proposal and the actual progress of project implementation.

232. With regard to the cash and investment management of United Nations (Vol. I), some predetermined portfolio concentration limits were not clearly defined, which may result in different interpretations and different control amounts for investments.

233. The Board noted that UNOPS had not explicitly specified the use of project cash advances received for investment in the agreements signed with partners, and interest terms for only a few agreements had been explicitly stipulated therein. However, according to the valid responses received from 12 partners, corresponding to a total amount of $137.75 million, most of the responding partners were unaware that UNOPS had used the received prepayments for investment and expressed disagreement or indicated a lack of authorization for UNOPS to do so. One partner was unaware of and did not receive any investment returns.

234. The Board noted that UNICEF had had difficulties in allocating a funding source to its staff that could cover the entire duration of their contract, or at least one calendar year. Those difficulties were indicative of inadequate staff budget planning and poor management of the recruitment process, which can lead to the misallocation of funds and inappropriate use of resources compared with their originally intended purpose. The existing post management procedure needs to be revised to adequately reflect the reality of the challenges faced by UNICEF offices in allocating funds and ensure their timely assignment. In addition, the Board identified inactive grants from 2013 to 2020, which registered $13.83 million in favour of third parties. Such a practice is not in line with the primary objective of procurement services, which is to enable partners to provide and facilitate access to essential supplies and related services for children and their families. In this regard, a documented and transparent approach to managing partners’ balances needs to be developed.

3. Weaknesses in compliance with the existing regulations, rules and guidelines

235. Observing established financial and budget regulations and rules is crucial for strengthening organizational governance and enforcing accountability. Non-compliance or insufficient compliance with the existing regulations and rules may result in financial and budget discipline and control being weakened, undue stewardship of resources, and unsatisfactory delivery of mandates. In this regard, the Board noted the below instances of deficiencies.

236. In the case of United Nations (Vol. I), the Board noted that for the Office for the Coordination of Humanitarian Affairs, the grants and transfers from the country-based pooled funds, the Central Emergency Response Fund and specially designated contributions to implementing partners, ranging from $1.55 billion to $2.56 billion from 2020 to 2022, were excluded from the proposed extrabudgetary resources. A similar case was noted for the Peacebuilding Fund, with an expenditure of $195.58 million in 2022. The Administration will disclose in a footnote, where appropriate, the estimated resources for the Central Emergency Response Fund, country-based pooled funds and specially designated contributions in the context of the extrabudgetary resource estimates presented in the proposed programme budget for the Office for the Coordination of Humanitarian Affairs. Similarly, the estimates for the Peacebuilding Fund will be disclosed in a footnote in the context of the

extrabudgetary resource estimates presented in the proposed programme budget for the Peacebuilding Support Office.

237. There were a few instances relating to cost-recovery services where the guidelines on fund management, including the cost-recovery policy and guidelines, were not well observed. There was a high accumulated surplus of cost-recovery services totalling $452.92 million ($372.44 million in cash and cash equivalents) as at 31 December 2022, an increase of $4.38 million compared with the year-end balances of 2021, indicating that charges for administrative services exceeded the amount necessary to recover actual service costs. In addition, $192 million was borrowed from the 10RCR fund to the 10JFA fund during the period from 2015 to 2022, while $37 million in outstanding balances had yet to be repaid as at 31 December 2022. The Administration has taken action to return the outstanding loan to 10RCR following the audit observation.

238. The Board also noted some instances of non-compliance with the regulations and rules of the health insurance programme, as follows: (a) the Medical Insurance Plan had had a continuous deficit since 2018, leading to a ratio of reserve balance to average expenses per month of 0.72 as at 31 December 2022, which was far below the recommended reserve level; and (b) the reserve levels of the United Nations worldwide plan, the Cigna dental plan and the Aetna plan were higher than the recommended ceilings of four or eight average months of claim costs. The Board noted a lack of documented procedures on the formal approval of newly-established reserves of the United Nations Staff Mutual Insurance Society against Sickness and Accidents.

239. Similarly, instances of non-compliance have been noted in relation to budget implementation, performance reporting and grants management, as follows:

(a) Regarding the budget implementation, the expenditure in 2022 on furniture and equipment totalled $49.79 million, representing an overexpenditure rate of 71 per cent, which is not in line with the requirement of the General Assembly in its resolution 76/245 to reduce the resources under that category. In addition, from 2018 to 2022, of a total of $2.39 million in private call costs of 18 sampled special political missions, $1.43 million (60 per cent) had not been recovered, and $2.3 million (96 per cent) had not been refunded to the regular-budget related fund. These are not in line with the requirements of recovering charges for personal calls from the users as stipulated in mobile communication devices for official work (ST/IC/2005/11);

(b) For performance reporting, no related information had been disclosed as required in the financial performance report regarding the $14.2 million in open commitments expensed in 2022, the remaining $3.54 million cancelled for the special commitments established in 2020, and the amount of $1.41 million cancelled in 2022 for special commitments established in 2019. Following the Board's observation, an overview of the establishment, utilization and cancellation of the special commitments created in 2019 and 2020 was provided in annexes X and XI of the financial performance report on the programme budget for 2022;

(c) As at 4 March 2023, 1,755 voluntary contribution grants in the amount of $135 million were listed as operationally closing/closed, with an average duration of 24 months spent in the operational closing stage. In addition, 48 grants listed as closed had unspent balances totalling $1.39 million.

240. In the case of UNHCR, several weaknesses were found in the accounting of stocks, inventories and consumables, which was not compliant with IPSAS 12: Inventories. In particular, the Board noted (a) some shortcomings in the calculation method for the capitalized freight costs; and (b) the use of the same identifiers for

items that were sometimes different in nature or quality, which did not allow for a reliable valuation of the average costs. In addition, impairment had not been carried out at year-end for vehicles kept over a long period in a global stockpile warehouse before being dispatched ("long in transit" status) which was not line with IPSAS 21; Impairment of non-cash-generating assets, resulting in some assets probably being overvalued.

241. With regard to UNOPS, the Board noted that it did not adequately incorporate all potential sources of revenue into its budget preparation process. Specifically, the revenue estimate process focused solely on the management fees recovered from the projects, while disregarding other revenue already earned or likely to be earned. This approach is not in line with the requirements of the UNOPS financial regulations and rules. The Board also noted that UNOPS failed to achieve the targets of zero net revenue for the biennial budget estimates from 2012–2013 to 2022–2023, in which the actual revenue was always higher than the estimated one in the budget. This was due mainly to the fact that the existing pricing model had not taken into account the management of budget expenses and net revenue targets of upcoming years, and to a lack of connection between pricing and budgeting. Furthermore, the Board noted that as of the end of 2022, all defaulted loans associated with the Sustainable Investments in Infrastructure and Innovation projects had been impaired in full, with a total impairment amount of $58.8 million, and that more effective measures should have been taken to recover the Sustainable Investments in Infrastructure and Innovation-associated funds, including the collection of more comprehensive information on where and how the loan funds were used as required.

242. In the case of UNDP, the Board noted that: (a) UNDP Medical Insurance Plan assets and liabilities amounting to $133.7 million as at 31 December 2022 are not tracked through a dedicated fund in the system, which could hamper the monitoring and oversight capacity of UNDP and therefore its ability to address any foreseeable funding difficulties; (b) although budget information as currently provided by UNDP in statement V complies with IPSAS 24, in note 6 to the financial statements, the reconciliation between actual amounts and net cash flows required by paragraph 47 of IPSAS 24 should be set out on a more comparable basis; and (c) UNDP erroneously recorded revenue for government cost-sharing contracts financed by international financial institutions up front instead of on a cash basis per its revenue recognition policy, which would have resulted in a significant overestimation of its 2022 revenue. Consequently, an adjustment of $518 million was made in the final version of the financial statements.

243. Regarding UNRWA, the Board noted significant delays in the distribution of approved selective cash assistance payments, with 376 outstanding payments (accounting for 48 per cent) with a total amount of $180,329.79 not distributed by the end of 2022, failing to provide timely emergency support to families and individuals facing extreme hardship. Furthermore, the Advisory Committee on Resource Allocation did not convene meetings in 2022 to discuss budget allocation and provide recommendations to the Commissioner-General, as mandated in UNRWA organizational directive No. 31, running the potential risk of inefficient allocation of budget resources.

244. In the case of UNEP, the Board noted that: (a) no mechanism had been put in place to prioritize budget allocation for South-South and triangular cooperation, and the allocation of core funding to South-South and triangular cooperation activities was not effectively tracked, which had a negative impact on the implementation of UNEP Strategy for South-South and Triangular Cooperation; (b) 3 of the 15 multilateral environmental agreements for which UNEP hosted the secretariats had partly adopted a results-based budgeting approach, while the budget proposals for the other 12 agreements had not been fully formulated using that approach, and the

budgetary resources and planned outputs had not been clearly linked, as required, to a total consumable budget of $110.81 million in 2022; and (c) the evaluation of subprogramme 1, Climate action, had not been completed by the end of 2022 and only three subprogramme evaluation reports had been disclosed in the past six years, which is not in line with the requirement of the administrative instruction on evaluation in the United Nations Secretariat (ST/AI/2021/3).

245. With regard to UN-Habitat, the Board noted that: (a) the Budget Steering Committee was established by the end of 2021 to promote the effective and efficient management of the corporate financial resources of UN-Habitat, but the Committee had met only once since its establishment and there were no minutes for the meeting, which did not meet the request in the Committee's operating rules and may result in the insufficient fulfilment of duties; (b) the detailed budgets of projects were only cleared by project management officers, and the Management Advisory and Compliance Service Division did not fulfil its duty to conduct oversight of project budgets in 2022, as required by the Programme Review Committee of UN-Habitat; and (c) in 22 grants, four programme support cost rates of 25 per cent, 10 per cent, 8.5 per cent and 0 per cent were applied without approval, which is not in line with the United Nations policy on programme support costs.

246. The Board noted that: (a) the review of assets recognized as property, plant and equipment at UNODC revealed that five items with a total value of $8.83 million did not meet the criteria, as stated in the United Nations IPSAS corporate guidance on property, plant and equipment, to be recognized as such; (b) the fund "64DCR" (which combines full cost recovery and exchange transactions) recorded a balance of $15.59 million and income amounting to $22.32 million, approximately three times the expenditure registered for the same period ($6.74 million), which is not in line with relevant policies and guidelines in which it is stated that an appropriate level should be maintained; and (c) UNODC had 585 expired grants in Umoja, with a total cash balance of $32.57 million, with pending operational closure for more than six months as at 31 December 2022, which is not in compliance with the Umoja grants management guide for UNODC.

247. Regarding UNJSPF, the Board reviewed the Office of Investment Management's environmental, social and governance reports for the first and second quarters of 2022 for equities issued, and noted that there were securities with reports indicating that they had the highest carbon emissions and low Morgan Stanley Capital International environmental, social and governance ratings, and that some companies presented high-impact controversies with red or orange flags in the first quarter, which was not in line with the Office's investment policy statement and environmental, social and governance guidelines.

248. UNFPA incurred total expenditure of $20.4 million for the ICT transformation project between 2018 and 2021. However, UNFPA decided to join the Quantum consortium led by UNDP because it had faced setbacks in the launch of some critical components of project design and implementation delays, implying that UNFPA institutional efforts to implement a new enterprise resource planning system were duplicated, which was indicative of insufficient stewardship of financial resources.

249. As for UN-Women, the Entity's funds were not allocated or tracked at the Sustainable Development Goal indicator level, and the results management system does not provide budget utilization at that level either. This may result in the organizational resources investment aimed at meeting the 2030 Agenda not being accurately measured, which could have an impact on the administration of future resources allocated to those efforts and their sustainability over time.

250. With regard to UNITAR, the Board observed that advance transfers to implementing partners during 2022 had not been recognized as expenditures,

amounting to $2.87 million in the corresponding financial period, even though the implementing partners had previously provided the related financial reports to the entity and these had been certified by the programme manager. This non-recognition is not in line with the requirements of administrative circular AC/UNITAR/2021/09 on policy guidelines for grant agreements to implementing partners.

251. The open commitments of ITC totalled $28.90 million as at 31 December 2022, of which $14,338 (0.05 per cent), $0.71 million (2 per cent) and $4.74 million (16 per cent) were created in 2019, 2020 and 2021 respectively. Commitments which are open for a long period of time are not in alignment with the Financial Regulations and Rules of the United Nations.

D. The way forward

252. Recommendations relating to the above-mentioned audit findings are contained in the respective audit reports.

253. The Board would like to draw upon this cross-entity focus on financial and budget management to provide some views on areas for further improvement.

1. The policy frameworks in relation to financial and budget management could be updated to address weaknesses as needed

254. Financial and budget management policy frameworks aim to provide the basis for the efficient and effective use of resources, compliance with regulations and rules, and accountability and transparency in the process of mandate delivery. The deficiencies identified from the audits for the financial year 2022 in relevant entities include the absence of regulations and rules in some areas and inadequacies in the existing policy framework. Besides efforts to develop or refine relevant regulations and rules at the entity level, the Secretary-General, in his capacity as Chair of the United Nations System Chief Executives Board for Coordination, could encourage the heads of the concerned entities to tackle the main deficiencies identified.

2. Improved monitoring and streamlining would be needed for compliance and accountability

255. Improved monitoring on compliance with the policy framework, together with accountability measures, is crucial in ensuring the timely identification of the potential mismanagement of funds and the undertaking of remedial actions in a prompt manner. In this regard, the Board is of the view that more granular and targeted monitoring at those entities where deficiencies have been identified could help to identify and tackle the root causes. Accountability measures could also be streamlined and enforced where relevant.[7]

3. The use of inactive funds or unencumbered balances could be optimized to improve efficiency and effectiveness

256. The efficient and effective use of inactive funds, or the reallocation of resources where applicable, can demonstrate responsible financial stewardship and strengthen an organization's credibility by ensuring that resources are effectively utilized and not left idle, contribute to achieving goals and mandates of the organization more efficiently, and enable the organization to respond more swiftly and effectively with great agility to emerging challenges, crises and humanitarian needs. In this regard, the Board had noted significant inefficiencies in fund utilization in United Nations (Vol I), with a total of

[7] As already recommended by the Board of Auditors in the field of peacekeeping operations (see, in particular, A/77/5 (Vol. II), chap. II, para. 204).

inactive or unencumbered balances of $856.16 million, including a $372.44 million cash balance from cost-recovery services, $135 million in cash balances of closing/closed voluntary contribution grants, $140.83 million in cash balances for the construction fund and $207.89 million in cash balances from programme support costs by the end of 2022. The Board has emphasized that proactive measures need to be taken to promote the effective and efficient utilization of those funds.

4. Training and workshops could be organized to improve financial and budget management

257. Training and workshops are important for improving financial and budget management and ensuring that all stakeholders are aware of their responsibilities and are able to undertake initiatives to best fulfil their missions. In addition, training and workshops will help to build competencies and skills that are required to effectively handle financial and budgetary processes and make the best use of resources and assets. They will also promote consistency, adherence to ethical standards and principles and keeping pace with changes, thereby helping entities to fulfil their financial responsibilities. It is for the Administration to consider including courses in relation to financial and budget management in the curricula of the United Nations System Staff College, UNITAR and UNU to raise professionalism in financial and budget management among United Nations staff.

5. Full and timely implementation of the Board's recommendations is necessary

258. Financial and budget management ranks among the most important focus areas of oversight bodies. Recommendations arising out of the audits, assessments or evaluations are aimed at improving compliance, transparency, efficiency and effectiveness. Placing emphasis on the full and timely implementation of these recommendations ensures that an organization remains accountable for its financial activities and demonstrates a commitment to addressing identified weaknesses so that the organization's financial management practices are aligned with the policy framework. This, in turn, can lead to better utilization of resources and can ensure that the organization operates more effectively and efficiently. The Board therefore encourages the full and timely implementation of its recommendations on financial and budget management by the Administration, as the General Assembly has also reinforced and echoed in various resolutions.

V. Status of implementation of outstanding recommendations

259. In every audit report, the Board analysed various issues during the audit and made recommendations. In its resolution 77/253 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.

260. The Board reviewed the status of old recommendations (see table 12) and noted that the overall rate of implementation of the outstanding recommendations was 52.49 per cent in 2022, which remained similar to 2021. The rate increased by 5 per cent compared with 2020.

Table 12
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	*2022*	*2021*	*2020*	*2022*	*2021*	*2020*	*2022*	*2021*	*2020*	*2022*	*2021*	*2020*	*2022*	*2021*	*2020*
United Nations (Vol. I)	262	278	279	111	98	96	140	160	150	–	–	2	11	20	31
United Nations peacekeeping operations	41	89	116	19	53	42	21	22	52	–	9	7	1	5	15
ITC	19	21	23	8	8	7	9	12	12	–	–	–	2	1	4
UNCDF	7	7	9	7	7	9	–	–	–	–	–	–	–	–	–
UNDP	50	56	57	36	38	40	11	16	13	–	1	1	3	1	3
UNEP	52	85	84	22	58	35	27	25	47	1	2	1	2	–	1
UNFPA	36	30	33	27	24	26	7	6	6	2	–	–	–	–	1
UN-Habitat	79	88	66	34	35	3	44	48	63	–	1	–	1	4	–
UNICEF	28	44	96	23	37	72	1	5	22	2	–	–	2	2	2
UNITAR	13	11	17	9	8	14	2	2	3	–	–	–	2	1	–
UNHCR	77	80	100	31	43	56	41	23	35	–	1	1	5	13	8
UNJSPF	35	41	44	29	26	30	6	14	13	–	–	–	–	1	1
UNODC	33	29	41	22	13	25	9	12	15	–	–	–	2	4	1
UNOPS	45	45	39	25	24	13	12	19	24	–	–	–	8	2	2
UNRWA	49	51	47	31	29	25	18	21	19	–	–	1	–	1	2
UNU	27	11	37	16	7	31	10	4	4	–	–	–	1	–	2
UN-Women	27	29	17	19	21	9	8	8	6	–	–	–	–	–	2
IRMCT	25	32	29	6	13	8	7	10	12	12	5	9	–	4	–
Total	**905**	**1 027**	**1 134**	**475**	**542**	**541**	**373**	**407**	**496**	**17**	**19**	**22**	**40**	**59**	**75**
Percentage				**52.49**	**52.78**	**47.71**	**41.22**	**39.63**	**43.74**	**1.88**	**1.85**	**1.94**	**4.41**	**5.74**	**6.61**

Source: Audit reports of the Board.

261. As at 31 December 2022, the 18 entities covered in the present report had accumulated a total of 390 outstanding recommendations (373 under implementation and 17 not implemented), as shown in table 12. Detailed explanations of each recommendation are provided in the individual audit reports of the entities. 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. A second factor is that the recommendations may be composed of several elements that collectively address one finding. Therefore, there are cases where the entity displays concrete improvements for most of the elements, but not all of them. In such cases, the overall status of the recommendation is listed as being under implementation.

262. Table 13 shows the percentage of fully implemented recommendations by entity for 2020, 2021 and 2022 based on the figures provided and presented in table 12. For 11 entities, the implementation rate was over 50 per cent. Four entities (United Nations (Vol. I), ITC, IRMCT and UN-Habitat) had an implementation rate below

50 per cent over the past three years. IRMCT had a very low implementation rate, at 24 per cent. United Nations (Vol. I), UNOPS, UN-Habitat and UNDP kept an increasing trend in their implementation rate in the past three years, and UNCDF kept a 100 per cent implementation rate for three consecutive years.

Table 13
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*					
				2022		*2021*		*2020*	
Entity	*2022*	*2021*	*2020*	*(Number)*	*(Percentage)*	*(Number)*	*(Percentage)*	*(Number)*	*(Percentage)*
United Nations (Vol. I)	262	278	279	111	42.37	98	35.25	96	34.41
United Nations peacekeeping operations	41	89	116	19	46.34	53	59.55	42	36.21
ITC	19	21	23	8	42.11	8	38.10	7	30.43
UNCDF	7	7	9	7	100.00	7	100.00	9	100.00
UNDP	50	56	57	36	72.00	38	67.86	40	70.18
UNEP	52	85	84	22	42.31	58	68.24	35	41.67
UNFPA	36	30	33	27	75.00	24	80.00	26	78.79
UN-Habitat	79	88	66	34	43.04	35	39.77	3	4.55
UNICEF	28	44	96	23	82.14	37	84.09	72	75.00
UNITAR	13	11	17	9	69.23	8	72.73	14	82.35
UNHCR	77	80	100	31	40.26	43	53.75	56	56.00
UNJSPF	35	41	44	29	82.86	26	63.41	30	68.18
UNODC	33	29	41	22	66.67	13	44.83	25	60.98
UNOPS	45	45	39	25	55.56	24	53.33	13	33.33
UNRWA	49	51	47	31	63.27	29	56.86	25	53.19
UNU	27	11	37	16	59.26	7	63.64	31	83.78
UN-Women	27	29	17	19	70.37	21	72.41	9	52.94
IRMCT	25	32	29	6	24.00	13	40.63	8	27.59
Total number	**905**	**1 027**	**1 134**	**475**		**542**		**541**	
Overall percentage					**52.49**		**52.78**		**47.71**

Source: Audit reports of the Board.

VI. Acknowledgement

263. 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*) **Hou** Kai
Auditor General of the People's Republic of China
Chair of the Board of Auditors

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

(*Signed*) Pierre **Moscovici**
First President of the French Cour des comptes

26 July 2023

Annex I

Entities covered by the report

Organization	*Lead auditor*
United Nations (Vol. I)	China
United Nations peacekeeping operations	France
International Trade Centre	China
United Nations Capital Development Fund	France
United Nations Development Programme	France
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	France
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 the auditor 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.