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Item 20(c) of the provisional agenda

Administrative, financial and institutional matters

**Audit report and financial statements (for 2019 and
2020)**

Financial report and audited financial statements for 2020 and report of the United Nations Board of Auditors

Note by the secretariat

Addendum

Comments by the secretariat

Summary

The report of the United Nations Board of Auditors for 2020 (FCCC/SBI/2021/INF.4) includes recommendations relating to the financial audit of the UNFCCC. This addendum, which should be read in conjunction with that report, has been prepared to provide the secretariat's comments on those recommendations and to specify the initial actions taken to implement them. In the "status of implementation" column of the four tables that comprise this document, "under implementation" indicates that the secretariat has started undertaking the recommended action.



Abbreviations and acronyms

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|-------|--|
| Board | United Nations Board of Auditors |
| COP | Conference of the Parties |
| ERM | enterprise risk management |
| ODO | Organizational Development and Oversight |
| RCC | regional collaboration centre |
| RPG | Recommended Practice Guideline |
| SBI | Subsidiary Body for Implementation |

Table 1

Recommendations of the United Nations Board of Auditors for the year that ended on 31 December 2020

| <i>Recommendation^a</i> | <i>Comments by the secretariat</i> | <i>Status of implementation</i> |
|--|--|---------------------------------|
| Recommendation 1, paragraph 33 | | |
| The Board recommends that UNFCCC review its financial statement discussion and analysis (chapter IV) to improve adherence to RPG 2. | The majority of RPG 2 required elements were already included in the 2020 financial statements; the full implementation of all elements is foreseen for the preparation of the 2021 financial statements. | Under implementation |
| Recommendation 2, paragraph 43 | | |
| The Board recommends that UNFCCC enhance the financial reporting process with RCC partners in order to ensure relevant information for actual expenditures to be available at the time of financial statements preparation. | The implementation of the enhanced process is in progress. | Under implementation |
| Recommendation 3, paragraph 51 | | |
| The Board recommends that UNFCCC describe the annual process and management of cost recovery in a procedural guideline approved by the Executive Secretary. This guideline should include potential measures in case of excessive surpluses or deficits from the cost recovery scheme. | The secretariat is currently developing the procedural guideline. | Under implementation |
| Recommendation 4, paragraph 61 | | |
| The Board recommends that UNFCCC describe the annual process and management of programme support costs in a procedural guideline approved by the Executive Secretary. Based on further analysis of prior years – the guideline should include potential measures in case of excessive surpluses or deficits from programme support costs and incorporate them into the procedural guideline. | The secretariat is currently developing the procedural guideline. | Under implementation |
| Recommendation 5, paragraph 69 | | |
| The Board recommends that UNFCCC evaluate if that specific videoconferencing software is considered indispensable and either apply an appropriate risk treatment or terminate the contractual relationship immediately. | Microsoft Teams is the UNFCCC standard software for virtual meetings. However, given the diversity of the secretariat's stakeholders and the numerous virtual meeting platforms in use, when invited by a stakeholder using a third-party software other than Teams, for example Zoom, approval for use may be considered on an exceptional basis. | Under implementation |
| Recommendation 6, paragraph 81 | | |
| The Board recommends that UNFCCC comply with the Procurement Manual in further low value acquisition processes. | The secretariat applies the Procurement Manual with regard to low-value acquisition processes with due consideration of its institutional and operational setting. In particular, information and communication technology requirements undergo a | Under implementation |

| <i>Recommendation^a</i> | <i>Comments by the secretariat</i> | <i>Status of implementation</i> |
|---|--|---------------------------------|
| | technical review by the Information and Communication Technology subdivision within the Administrative Services, Human Resources and Information and Communication Technology division. Following the clarification received from the United Nations Office of Legal Affairs regarding the institutional linkage and delegation of authority, the secretariat holds that its information and communication technology operations are not subject to the authority of the United Nations Office of Information and Communications Technology. | |
| Recommendation 7, paragraph 91 The Board recommends that UNFCCC improve internal controls to ensure that contracts with consultants and individual contractors that overlap in time with other contracts comply with ST/AI/2013/4. | The secretariat accepts the recommendation. However, it notes that Umoja does not provide a report on consultants and individual contractors who have contracts with other United Nations entities and hence the Human Resources subdivision of the secretariat is not in a position to cross-check the contracts of consultants and individual contractors that overlap in time with those issued by other United Nations entities. Regarding the consultant who is said to have been contracted twice in such a way that the work added up to 10 months of working time, the secretariat verified that the contract was for only 195 days in total, which complies with policy ST/AI/2013/4. | Under implementation |

^a Reproduced as received from the Board.

Table 2

Recommendations of the United Nations Board of Auditors for the year that ended on 31 December 2019

| <i>Recommendation^a</i> | <i>Comments by the secretariat</i> | <i>Status of implementation</i> |
|---|---|---------------------------------|
| Recommendation 2, paragraph 55 The Board recommends that UNFCCC establish annual plans and a reconciliation with the actual figures for the special account for programme support costs to monitor the level of the reserve. | Annual planning and reporting procedures for the special account have been developed and shared with the Board for further consideration. | Under implementation |
| Recommendation 12, paragraph 145 The Board recommends that UNFCCC ensure that the intended results of the restructuring such as efficiency gains and “being fit for purpose” are measured, tracked and evaluated. | The ODO Manager assumed office on 20 September 2021 and was fully briefed on this matter. As a first step towards addressing the recommendation, a draft concept note was developed that sets out the formulation and operationalization of the reform objectives and a potential set of key outputs and performance indicators to monitor, and a methodology to measure and evaluate ‘fit-for-purposeness’ and efficiency gains of the reform. In the fourth quarter of 2021, the concept note will be translated into a results framework with a fixed set of key outputs and indicators with appropriate baselines. It is then intended that the reform will be measured, monitored and evaluated throughout 2022. | Under implementation |

| <i>Recommendation^a</i> | <i>Comments by the secretariat</i> | <i>Status of implementation</i> |
|--|--|---------------------------------|
| Recommendation 13, paragraph 162 | | |
| The Board recommends that UNFCCC draw a realistic timetable and a priority list for filling vacancies. | Of the 120 identified priority posts that were announced, 65 have been finalized. The secretariat is aiming to finalize all the selection processes by the end of 2021 or in the first quarter of 2022. | Under implementation |
| Recommendation 15, paragraph 188 | | |
| The Board recommends that UNFCCC address the risks it is exposed to through an up-to-date enterprise risk management that includes owners and due dates and a documentation. | The ODO Manager was briefed on progress and pending audit recommendations. The ERM corporate risk register for 2021–2022, including identification of appropriate risk owners and due dates, is planned for launch in the fourth quarter of 2021. Relevant ERM documentation will also be reviewed in this context by the ODO Manager. | Under implementation |

^a Reproduced as received from the Board.

Table 3

Recommendations of the United Nations Board of Auditors for the year that ended on 31 December 2018

| <i>Recommendation^a</i> | <i>Comments by the secretariat</i> | <i>Status of implementation</i> |
|--|---|---------------------------------|
| Recommendation 1, paragraph 37 | | |
| The Board recommends that UNFCCC analyse the net assets of the cost recovery fund and act on the results of this analysis. | Service rates have been defined for 2021 and a general reserve level is being established. Further action is to be agreed with the Board as necessary. | Under implementation |
| Recommendation 2, paragraph 47 | | |
| The Board recommends that UNFCCC incorporate the liabilities incurred by staff financed from indicative contributions in its funding policy review for employee benefits and seek a COP decision. | A funding mechanism will be presented for consideration by the SBI at its next session. | Under implementation |
| Recommendation 3, paragraph 55 | | |
| The Board recommends that, in consultation with United Nations Treasury, UNFCCC assess the possibilities of investment approaches within the cash-pool for the reserves set aside to cover for the after-service health insurance liabilities. | The secretariat is engaged in discussions with the Financial Risk Management Service of the United Nations Secretariat with a view to developing an investment strategy for the future. | Under implementation |
| Recommendation 4, paragraph 65 | | |
| The Board recommends that UNFCCC consult with the actuary and United Nations Headquarters on the data basis for the actuarial valuation of employee benefits liabilities to enhance the accuracy of the actuarial valuation. | The actuarial data will be updated in order to enhance the accuracy of future actuarial exercises in collaboration with other United Nations entities. | Under implementation |
| Recommendation 5, paragraph 70 | | |
| The Board recommends that UNFCCC assess, in consultation with United Nations Headquarters, whether it is beneficial to conclude agreements with the | The secretariat continues to use the United Nations Inter-Organization Agreement concerning Transfer, Secondment | Under implementation |

| <i>Recommendation^a</i> | <i>Comments by the secretariat</i> | <i>Status of implementation</i> |
|---|--|---------------------------------|
| organizations of incoming and leaving UNFCCC staff to gain legal assurance on the employee benefit liabilities incurred for those staff members. | or Loan of Staff among the Organizations applying the United Nations Common System of Salaries and Allowances. | |
| Recommendation 9, paragraph 135 | | |
| The Board recommends that UNFCCC adopt the United Nations staff selection policies system in the then applicable version or request approval of deviations by end of December 2019. | This recommendation will be addressed as part of the overall policy review. | Under implementation |

^a Reproduced as received from the Board.

Table 4

Recommendations of the United Nations Board of Auditors for the year that ended on 31 December 2017

| <i>Recommendation^a</i> | <i>Comments by the secretariat</i> | <i>Status of implementation</i> |
|--|---|---------------------------------|
| Recommendation 1, paragraph 60 | | |
| The Board recommends that UNFCCC review its funding policy for after-service health insurance and repatriation liabilities, in particular the duration of the accumulation phase, and seek a COP decision on the funding plan. | A funding mechanism will be presented for consideration by the SBI at its next session. | Under implementation |
| Recommendation 5, paragraph 117 | | |
| The Board recommends that UNFCCC expedite the revision process of its procurement policy and procedures in order to provide an up-to-date basis for its procurement activities. | The review of the new draft policy, with all annexes, is being finalized in the light of the clarifications received from the United Nations Secretariat in January and April 2021 as part of the overall policy review. | Under implementation |
| Recommendation 6, paragraph 138 | | |
| The Board recommends that UNFCCC perform a fraud risk assessment in line with or embedded in the enterprise risk management. | The ODO Manager will review the existing linkages between UNFCCC ERM practices and the required fraud risk assessment and will perform the latter at the appropriate time. | Under implementation |
| Recommendation 7, paragraph 139 | | |
| The Board recommends that UNFCCC dedicate an organizational function which coordinates, implements and monitors the implementation of the fraud and anti-corruption framework (focal point). | The ODO Manager assumed office on 20 September 2021, whereby the secretariat now has a dedicated organizational function that coordinates, implements and monitors the implementation of the fraud and anti-corruption framework (focal point) as per the Board recommendation. | Under implementation |

^a Reproduced as received from the Board.