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

Concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors for the annual financial period 2017

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly, pursuant to resolution 47/211, a concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors on its audit of accounts for the year ended 31 December 2017.

* A/73/150.

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Letters of transmittal

Letter dated 24 July 2018 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you a concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors for the annual financial period 2017.

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
Chair of the Board of Auditors

Letter dated 24 July 2018 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-third session.

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
Chair of the Board of Auditors

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Abbreviations

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

Concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors for the annual financial period 2017

Summary

The General Assembly, in its resolution 47/211, invited the Board of Auditors to report in a consolidated fashion on major deficiencies in programme and financial management and cases of inappropriate or fraudulent use of resources, together with the measures taken by the relevant entities. The findings and conclusions included in the present report relate to the common themes and major issues identified in the Board's reports addressed to the General Assembly on 19 entities (see annex I). The contents of the Board's reports to the Security Council and other governing bodies are not summarized herein.

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

I. Scope and mandate

1. The present report includes findings and conclusions identified in the Board's reports in 2017, addressed to the General Assembly, on 19 entities,[1] including the United Nations peacekeeping operations[2] (see annex I). The Board has continued to provide information on cross-entity issues, as requested by the Chair of the Advisory Committee on Administrative and Budgetary Questions on 27 January 2014 and reiterated on 19 February 2015, and on the understanding that the Committee still finds the presentation useful (see A/70/380).

2. The Board has therefore continued to report on thematic topics, key trends and cross-entity issues in its entity-level reports and included commentary in the present summary report on financial performance, cash and investment management, budget management, employee benefit liabilities, fraud awareness and prevention, implementing partners, safety and security, human resources management, procurement and contract management and travel management.

II. Overall matters for the United Nations

A. Audit opinions

3. The Board of Auditors audited the financial statements and reviewed the operations of 19 organizations (see annex I), in accordance with General Assembly resolution 74 (I) of 7 December 1946.

4. All 19 entities received unqualified audit opinions (for an explanation of the types of audit opinions, see annex II). Of those, ICTY received an unqualified opinion with an emphasis of matter.

5. It is the second year that ICTY has received an emphasis of matter. This was to draw attention to the fact that it had ceased to be a going concern on 31 December 2017 on completion of its mandate. ICTY had completed amalgamation of its remaining activities with IRMCT as at 1 January 2018.

6. 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.

7. The Board noted continuous improvement in the application of IPSAS in the preparation of financial statements across the United Nations system. Specific weaknesses were highlighted in the respective audit reports of the entities.

B. Financial performance

8. A comparison of the net results of the financial performance of the 18 audited entities at the end of 2016 and 2017 is presented in table 1. The Board observed from the analysis of the financial statements of the 18 audited entities[3] that 13 entities[4]

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[1] ICTY has been omitted from the analysis in some places as it has been amalgamated with IRMCT.

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

[3] UNJSPF is not included because it follows International Accounting Standard 26 for the reporting framework and IPSAS for accounting treatments.

[4] United Nations (Vol. I), United Nations peacekeeping operations, ITC, UNDP, UNEP, UNFPA, UNICEF, UNITAR, UNHCR, UNODC, UNOPS, UN-Women and ICTY.

closed the financial year with a surplus, while 5 entities[5] recorded a deficit. Of those five entities, two (UN-Habitat and IRMCT) had recorded a surplus in the previous financial year. Some of the main factors contributing to the deficits, as observed by the Board, were an increase in wages, salaries and employee benefits (UNRWA and IRMCT), staff costs (UNCDF), a decrease in assessed contributions (IRMCT) and a decrease in voluntary contributions (UN-Habitat).

9. Of the 13 entities that closed the financial year with a surplus, 8 entities[6] had recorded a deficit in 2016. The surplus was a result of factors such as increases in voluntary contributions (United Nations (Vol. I), UNICEF, ITC, UNFPA and UNHCR), decreases in other operating expenses (United Nations peacekeeping operations) and decreases in employee salaries, allowances and other benefits (ICTY). The Board observed that 11 entities[7] had improved their position of surplus/deficit, whereas the remaining 7 entities had seen a decline in that respect. Detailed reasons for these changes are discussed in the individual audit report of these entities. In that context, it has to be taken into account that United Nations entities are not-for-profit entities and that such improvements or declines are not the sole measure of their overall performance.

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

	Surplus or deficit			
Entity	*2017*	*2016*	*Difference*	*Improvement/decline*
United Nations (Vol. I)	292 362	(11 487)	303 849	Improvement
United Nations peacekeeping operations	11 583	(150 683)	162 266	Improvement
ITC	38 915	(24 406)	63 321	Improvement
UNCDF	(4 861)	(10 317)	5 456	Improvement
UNDP	141 649	443 047	(301 398)	Decline
UNEP	93 680	183 434	(89 754)	Decline
UNFPA	185 680	(72 065)	257 745	Improvement
UN-Habitat	(28 674)	40 170	(68 844)	Decline
UNICEF	788 593	(199 864)	988 457	Improvement
UNITAR	4 626	(172)	4 798	Improvement
UNHCR	377 454	126 885	250 569	Improvement
UNODC	83 382	105 109	(21 727)	Decline
UNOPS	28 966	31 280	(2 314)	Decline
UNRWA	(71 552)	(42 076)	(29 476)	Decline
UNU	(1 000)	(23 806)	22 806	Improvement
UN-Women	39 635	(5 472)	45 107	Improvement
ICTY	20 500	(10 096)	30 596	Improvement
IRMCT	(8 255)	7 940	(16 195)	Decline

Source: Financial statements of the different entities.

[5] UNCDF, UN-Habitat, UNRWA, UNU and IRMCT.
[6] United Nations (Vol. I), United Nations peacekeeping operations, ITC, UNFPA, UNICEF, UNITAR, UN-Women and ICTY.
[7] United Nations (Vol. I), United Nations peacekeeping operations, ITC, UNCDF, UNFPA, UNICEF, UNITAR, UNHCR, UNU, UN-Women and ICTY.

10. Table 2 depicts changes in net assets over two years (2016 and 2017). The Board observed that IRMCT had negative net assets in 2017, whereas it had positive net assets in 2016 owing to an increase in employee benefit liabilities. In contrast, ITC had negative net assets in 2016, which were converted to positive net assets in 2017 because of the signing of voluntary contribution agreements.

11. Furthermore, the net assets of seven entities[8] had declined over the previous year. Some of the reasons for the decreases were an increase in employee benefit liabilities, in particular after-service health insurance liability (United Nations (Vol. I), UNDP and IRMCT), and an increase in payables (UNRWA). The net assets of the remaining 11 entities[9] had increased compared with the previous year. The increases were attributed to reasons such as an increase in investments (UNEP and ICTY), increase in contribution receivables (UNHCR and ICTY) and increased surplus (ITC and UNICEF). Detailed reasons for these changes are discussed in the individual audit reports of the entities.

Table 2
Comparison of net assets
(Thousands of United States dollars)

	Net assets			
Entity	*2017*	*2016*	*Difference*	*Improvement/decline*
United Nations (Vol. I)	2 143 238	2 380 432	(237 194)	Decline
United Nations peacekeeping operations	789 006	744 376	44 630	Improvement
ITC	7 337	(33 895)	41 232	Improvement
UNCDF	89 746	96 814	(7 068)	Decline
UNDP	4 641 601	4 689 394	(47 793)	Decline
UNEP	1 460 384	1 414 225	46 159	Improvement
UNFPA	841 511	711 430	130 081	Improvement
UN-Habitat	315 940	349 901	(33 961)	Decline
UNICEF	6 593 772	6 093 168	500 604	Improvement
UNITAR	25 623	21 316	4 307	Improvement
UNHCR	1 986 850	1 630 099	356 751	Improvement
UNODC	598 384	516 999	81 385	Improvement
UNOPS	158 640	131 586	25 740	Improvement
UNRWA	41 847	142 627	(100 780)	Decline
UNU	420 775	423 391	(2 616)	Decline
UN-Women	382 883	347 671	35 212	Improvement
ICTY	31 028	19 749	11 279	Improvement
IRMCT	(7 387)	15 561	(22 948)	Decline

Source: Financial statements of the different entities.

Ratios

12. Ratio analysis is a quantitative analysis of information provided in the financial statements. The Board's report of various entities discussed mainly four ratios,

[8] United Nations (Vol. I), UNCDF, UNDP, UNU, UN-Habitat, UNRWA and IRMCT.
[9] United Nations peacekeeping operations, ITC, UNEP, UNFPA, UNICEF, UNITAR, UNHCR, UNODC, UNOPS, UN-Women and ICTY.

namely, total assets 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). A high ratio of total assets to total liabilities is a good indicator of solvency or financial sustainability. A high current ratio indicates an entity's ability to pay off its short-term liabilities. The quick ratio is a more conservative liquidity indicator than the current ratio because it excludes inventory and other current assets, which are comparatively more difficult to turn into cash. The cash ratio is an indicator of an entity's most immediate liquidity, measuring the amount of cash, cash equivalents or invested funds that are in current assets to cover current liabilities. A higher ratio means the entity has sufficient resources to cover the related liability.

13. Ratio analysis provides an assessment of financial sustainability and liquidity across United Nations entities (see table 3). In general, a ratio of 1:1 is considered to be a sound indicator of financial sustainability or liquidity.

14. All entities,[10] except IRMCT, demonstrated having more assets than liabilities, thus showing strong solvency. IRMCT has assets worth $0.94 to pay each $1 of liability. As the major part of its liability is long term (employee benefit liability), there is no immediate threat to its solvency.

15. Other than United Nations peacekeeping operations, ITC and UNOPS, all entities have cash ratios greater than 1, showing very strong liquidity. United Nations peacekeeping operations, ITC and UNOPS also demonstrated adequate liquidity as they have quick ratios greater than 1.

16. In general, the financial position of all entities remained strong. The solvency ratios and liquidity ratios were comfortably high in most of the entities and, in the case of entities in which these ratios were near 1:1 or less, there was no immediate threat to their solvency or liquidity.

Table 3
Ratio analysis as at 31 December 2017

	Asset to liabilities ratio: total assets/total liabilities		*Current ratio: current assets/current liabilities*		*Quick ratio: (cash + short-term investments + accounts receivables)/current liabilities*		*Cash ratio: (cash + short-term investments)/current liabilities*	
Entity	*2017*	*2016*	*2017*	*2016*	*2017*	*2016*	*2017*	*2016*
United Nations (Vol. I)	1.35	1.44	3.88	3.41	3.51	3.11	2.42	2.28
United Nations peacekeeping operations	1.19	1.17	1.22	1.17	1.06	1.04	0.66	0.6
ITC	1.05	0.76	1.64	1.94	1.57	1.86	0.85	1.3
UNCDF	7.17	9.81	17.72	27.01	17.52	26.63	14.83	20.44
UNDP	2.76	3.11	3.77	4.48	3.62	4.28	3.44	4.12
UNEP	4.63	5.21	5.41	5.17	4.08	3.69	2.66	2.35
UNFPA[a]	2.57	2.64	4.30	5.72	3.85	5.19	2.78	3.97
UN-Habitat	3.20	4.71	3.60	6.49	3.28	5.76	1.71	2.76
UNICEF	2.96	3.38	4.58	5.13	3.55	3.96	2.56	2.78
UNITAR	3.23	2.95	22.68	15.02	20.04	12.41	12.22	8.10
UNHCR	2.99	2.73	9.77	8.10	8.30	6.88	4.28	4.03

[10] UNJSPF was not included in the analysis owing to the differing nature of its operations. ICTY is not included in the analysis as it has been amalgamated with IRMCT.

Entity	Asset to liabilities ratio: total assets/total liabilities		Current ratio: current assets/current liabilities		Quick ratio: (cash + short-term investments + accounts receivables)/current liabilities		Cash ratio: (cash + short-term investments)/current liabilities	
	2017	2016	2017	2016	2017	2016	2017	2016
UNODC	2.73	2.72	4.18	4.05	4.07	3.86	2.92	2.64
UNOPS	1.09	1.09	1.02	0.35	1.01	0.35	0.95	0.29
UNRWA	1.04	1.17	2.27	2.94	1.46	1.91	1.34	1.76
UNU	7.29	6.05	5.98	3.74	5.93	3.67	4.69	2.31
UN-Women	4.07	4.17	6.17	7.95	4.99	6.78	4.04	6.55
IRMCT	0.94	1.17	7.88	7.46	7.69	7.38	5.19	1.59

Source: Audit reports of the Board.

[a] In UNFPA, the decline in the current, quick and cash ratios is an outcome of the decision to invest more after-service health insurance funds in long-term investments

C. Cash and investment management

17. The United Nations and several of its funds and programmes manage significant cash and investments. The administrations have in some cases established specialized treasury functions to support their various needs, and some also provide cash management services to other organizations. There are two pools in the United Nations system entities, namely a cash pool managed by the United Nations Treasury and an investment pool managed by UNDP.

18. The United Nations Treasury maintains a cash pool to invest the pooled amount of participating entities. As at 31 December 2017, a total of nine entities[11] covered in the present report were participating in the cash pool maintained by the United Nations Treasury, which manages total assets of $8.09 billion under its investment pool.

19. Similarly, there are five entities[12] covered in the present report that are pooling cash and investment resources under the leadership of UNDP. UNDP managed a total of $5.67 billion in investments for its own programme and for other United Nations entities under service agreements.

20. Four entities (UNICEF, UNHCR, UNOPS and UNRWA) are not participating in any cash/investment pool. UNJSPF is not included in this analysis as it manages the cash and investment amount of $64.54 billion of the pension fund through an Investment Management Division without pooling with any other entity.

21. As cash balances and the number of accounts, transactions and payment currencies increase, there is a greater need for professional management of the cash and investment so that risks and returns are properly managed. Furthermore, it is vital for the United Nations and its funds and programmes to manage public funds by adopting a strategy to safeguard the funds and ensure continuous availability of the cash needed to maintain operations and the optimum level of investments that should be held to support the delivery of their activities. Cash and investment pooling is the most desirable model for ensuring effective cash and investment management. This decreases the cost of transactions and provides expert investment management

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

[12] UNCDF, UNDP, UNFPA, UNITAR and UN-Women.

services to the participating entities. The status of cash and cash equivalents, and investments, as at 31 December 2017 for 18 entities[13] is shown in table 4.

Table 4
Cash and cash equivalents and investments as at 31 December 2017
(Thousands of United States dollars)

Entity	*Cash and cash equivalent*	*Investment*		*With whom have the resources been pooled?*
		Short-term	*Long-term*	
United Nations (Vol. I)	272 239	2 140 326	722 162	United Nations Treasury
United Nations peacekeeping operations	280 876	1 337 665	422 502	United Nations Treasury
ITC	4 303	38 245	12 004	United Nations Treasury
UNCDF	3 867	38 795	52 788	UNDP
UNDP	1 045 936	2 935 317	2 730 394	UNDP
UNEP	54 916	488 973	153 481	United Nations Treasury
UNFPA	184 391	228 973	547 154	UNDP
UN-Habitat	16 904	149 645	46 970	United Nations Treasury
UNICEF	883 578	3 716 240	501 088	Not pooled
UNITAR	4 324	13 062	–	UNDP
UNHCR	945 635	170 000	–	Not pooled
UNODC	53 995	433 904	136 195	United Nations Treasury
UNOPS	436 118	1 235 261	201 217	Not pooled
UNRWA	271 423[a]	–	–	Not pooled
UNU	27 493	21 848	368 380	United Nations Treasury
UN-Women	71 176	104 163	228 327	UNDP
ICTY	5 846	52 060	16 341	United Nations Treasury
IRMCT	5 561	49 507	15 540	United Nations Treasury

Source: Financial statements of the different entities.
[a] UNRWA considers the amount of $263.1 million (bank deposits) included in the cash and cash equivalents as short-term investment.

22. The issues noticed by the Board in cash and investment management are discussed below.

23. There are 458 funds participating in the main cash pool maintained by the United Nations Secretariat. These funds are assigned to the various entities that participate in the cash pool of the United Nations Secretariat. According to the details of the fund-entity relationship provided by the United Nations Secretariat, 45 funds were unassigned and only 13 of those funds had balances as at 31 December 2017, amounting to nearly $61 million. The Board noted that one of these funds is named "64PFN", amounting to $10.72 million with UNJSPF. The Board was informed in the course of the audit of UNJSPF that it never intended to participate in the cash pool of the United Nations Secretariat and that at no point agreed to invest its assets as a part of the United Nations Secretariat cash pool. The United Nations Administration informed the Board that the fund 64PFN belongs to UNJSPF and added that the fund was created in the Integrated Management Information System (IMIS) in January 2006 following the decision by UNJSPF to migrate to IMIS for its administrative operations. The Administration informed the Board that it was clearly mentioned in

[13] Except UNJSPF.

its letter to UNJSPF that UNJSPF should consolidate the balances of this fund into the balances in the UNJSPF system for the purpose of preparation of its financial statements. The Board observed that while the United Nations had informed UNJSPF of the methodology of treatment of the fund, the same was neither expressly agreed to nor dissented by UNJSPF. Thus, neither United Nations nor UNJSPF has claimed ownership of the fund (64PFN). The Board is of the view that this situation demonstrates that lack of a formal agreement with entities on their participation in the cash pool has led to ambiguity in the roles and responsibilities of the United Nations Secretariat and the participating entities.

24. UNOPS took over the investment management functions from UNDP with effect from 1 January 2016 and entered into a long-term agreement on 18 December 2015 to appoint an Investment Manager to manage its investments. UNOPS also entered into a long-term agreement (Master Custody Agreement) for appointing a custodian of cash and securities. An Investment Committee, appointed by the Executive Director, was constituted to guide and monitor the investment activities. The Board noted that UNOPS had not prescribed any set of records and accounts to be maintained by the Investment Manager, in line with the provisions of the agreement. The Board also observed that UNOPS had not inspected or audited the records and accounts maintained by the Investment Manager, which is provided for in the agreement. The Board perused the monthly reports furnished by the custodian, which contained an investment history, market value summary, asset class performance and asset level performance for the portfolio. The Board noted that, other than the statement of accounts furnished by the custodian, there were no means provided in the agreement by which UNOPS could review, inspect, verify or audit the value of holdings under the custodian obligations from time to time.

D. Budget management

Results-based budgeting

25. In any organization, the budget is a key tool for deciding how resources will be allocated to deliver strategic objectives. Budgets should represent an articulation of an organization's priorities and aspirations and communicate management's view on the resources required to achieve them.

26. The Secretary-General, in his report "Renewing the United Nations: a programme for reform" (A/51/950/Add.6), proposed that he and Member States should enter into a dialogue with the aim of shifting the United Nations programme budget from a system of input accounting to results-based accountability. The Secretary-General has defined results-based budgeting as the "methodology and format for developing budgets that focus on outputs and outcomes, using predetermined criteria set by Member States".

27. Thus, the results-based budget is an important tool to ensure that the United Nations and its funds and programmes are working towards achieving their outcomes and outputs. The Board noted that, except UNU, all other entities[14] have adopted results-based budgeting (see table 5). UNU applies the UNU project management guidelines, which use concepts similar to results-based budgeting; detailed quality and performance indicators are defined and results monitored throughout the project implementation cycle.

[14] ICTY is not included in the analysis.

Table 5
Status of the budget in different entities

Entity	*Number of budgets the entity has*	*Does the entity have a results-based budgeting framework?*
United Nations (Vol. I)	1	Yes
United Nations peacekeeping operations	18	Yes
ITC	1	Yes
UNCDF	1	Yes
UNDP	1	Yes
UNEP	5	Yes
UNFPA	1	Yes
UN-Habitat	2	Yes
UNICEF	6	Yes
UNITAR	1	Yes
UNHCR	1	Yes
UNJSPF	2	Yes
UNODC	2	Yes
UNOPS	1	Yes
UNRWA	1	Yes
UNU	1	No
UN-Women	2	Yes
IRMCT	1	Yes

Source: Information provided by the different entities.

28. The Board noted that 7 entities[15] had multiple budgets for different purposes. All entities had a budget that was directly linked to statements of comparison of budget and actual amounts in the financial statements.

29. The issues noticed by the Board in budget management are discussed below.

30. As per paragraphs 15 and 16 of IPSAS 24, an explanation of the material difference between actual amounts and the budget amounts will assist users in understanding the reasons for material departure from the approved budget for which the entity is held publicly accountable. The Board observed that there was material variation between actual amounts and the final budget under different budget segments of UNICEF, ranging from 5 per cent to 20 per cent, for which no explanation was provided as part of the financial statements.

31. In accordance with regulation 5.3 of the Financial Regulations and Rules of the United Nations, appropriations shall remain available for 12 months following the

[15] United Nations peacekeeping operations, UNEP, UN-Habitat, UNICEF, UNJSPF, UNODC and UN-Women.

end of the budget period to which they relate to the extent that they are required to discharge obligations in respect of goods supplied and services rendered in the budget period and to liquidate any other outstanding legal obligation of the budget period. The balance of the appropriations shall be surrendered. The Board noted in the United Nations (Vol. I) that outstanding commitments of $135.9 million for the regular budget had been included in the annual actual expenditure depicted in statement V of the financial statements for the year 2017. An analysis of samples of the outstanding commitments in the amount of $56.55 million revealed that outstanding commitments of $24.23 million were created for goods and services that were not delivered in the year 2017. The Board noted that the creation of these commitments as outstanding against the regular budget of the biennium 2016–2017 was not in line with regulation 5.3 of the Financial Regulations and Rules.

E. Employee benefit liabilities

32. Post-employment benefits are those payable after completion of employment, but exclude 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. The pensionary benefits are paid through UNJSPF.

33. The status of employee benefit liabilities (excluding pensionary benefits) in different entities is presented in table 6.

Table 6
Status of employee benefit liabilities in different entities
(Thousands of United States dollars)

	Total employee benefit liability[a]			*Total liabilities*		*Employee benefit liabilities as a percentage of total liabilities*		
Entity	*2017*	*2016*	*Increase or decrease*	*2017*	*2016*	*2017*	*2016*	*Does the entity have funding arrangements for employee benefit liabilities?*
United Nations (Vol. I)	5 170 187	4 450 164	Increase	6 177 373	5 397 462	83.70	82.45	No
United Nations peacekeeping operations	1 839 194	1 759 119	Increase	4 213 119	4 563 248	43.65	38.55	No
ITC	91 332	90 316	Increase	159 840	138 923	57.14	65.01	Yes
UNCDF	14 202	10 304	Increase	14 544	10 986	97.65	93.79	Yes
UNDP	1 616 790	1 336 452	Increase	2 630 506	2 245 888	61.46	59.51	Yes
UNEP	206 049	146 077	Increase	402 794	336 294	51.15	43.44	No
UNFPA	415 803	329 240	Increase	534 719	434 917	77.76	75.70	Yes
UN-Habitat	48 601	41 551	Increase	143 711	94 412	33.82	44.01	No
UNICEF	1 638 022	1 236 273	Increase	3 358 924	2 560 193	48.77	48.29	Yes
UNITAR	10 260	9 004	Increase	11 501	10 931	89.21	82.37	Yes
UNHCR	818 364	746 195	Increase	1 000 171	939 706	81.82	79.41	Yes
UNJSPF	94 363	76 736	Increase	411 292	237 643	22.94	32.29	Yes
UNODC	120 657	110 523	Increase	346 016	301 044	34.87	36.71	Yes
UNOPS	105 746	97 720	Increase	1 837 834	1 505 185	5.76	6.49	Yes
UNRWA	815 122	745 860	Increase	944 137	830 262	86.34	89.83	No
UNU	16 935	14 317	Increase	66 862	83 869	25.33	17.07	Yes
UN-Women	92 850	78 751	Increase	124 810	109 818	74.39	71.71	Yes

Entity	Total employee benefit liability[a] 2017	Total employee benefit liability[a] 2016	Increase or decrease	Total liabilities 2017	Total liabilities 2016	Employee benefit liabilities as a percentage of total liabilities 2017	Employee benefit liabilities as a percentage of total liabilities 2016	Does the entity have funding arrangements for employee benefit liabilities?
ICTY[b]	38 973	41 116	Decrease	85 106	79 053	49.71	52.01	No
IRMCT[b]	95 169	61 803	Increase	122 712	89 547	77.55	69.02	No

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

[a] Excluding pension liabilities.

[b] Excluding pension liabilities of judges.

34. Employee benefit liabilities increased over the year for all entities (except ICTY) and were among the major liabilities for most of the entities. For 17 entities, such liabilities were more than one quarter (25 per cent) of total liabilities; for 11 entities,[16] they were more than half of total liabilities. They were as high as 97.65 per cent of total liabilities for UNCDF and more than 75 per cent of total liabilities for the United Nations (Vol. I), UNFPA, UNITAR, UNRWA, UNHCR and IRMCT.

35. The Board noted that seven entities[17] had no funding arrangements for employee benefit liabilities. As commented by the Board in its previous concise summary, it is important for entities to have a funding plan for these liabilities.

36. The issues noticed by the Board in managing employee benefit liabilities are discussed below.

37. With regard to the United Nations (Vol. I), the Board had noted in a previous report (A/70/5 (Vol. I)) that existing arrangements with many service providers for health insurance had not been reviewed for many years and that OIOS had also identified that agreements with service providers were not up to date, with some agreements not updated since 2000. The Board observed that there has been no significant change since its previous comments as agreements with certain important third-party administrators have not been updated for several years. The Board also noted that the current binding documents between the United Nations and third-party administrators are not uniform or standardized. The Board was informed that the Administration is currently in the process of reviewing the current documentation on third-party administrators to obtain standardized and updated agreements. The Administration further informed the Board that the standardization of performance guarantees is currently under way to ensure that all third-party administrators are evaluated on the basis of the same standards, and that process is expected to be completed in 2019.

38. The Board had also noted that the United Nations does not have independent assurance over the accuracy of claims paid and whether the third-party administrators are meeting their contractual obligations as the last "open-book" examination of their performance was done in 2009. The Board had recommended that arrangements be made to conduct an open-book audit of the third-party administrators to provide assurance over the accuracy of reported costs and activities performed by the Administration's agents and to confirm that they have complied with their contractual obligations.

[16] United Nations (Vol. I), UNCDF, ITC, UNDP, UNEP, UNFPA, UNITAR, UNHCR, UNRWA, UN-Women and IRMCT.

[17] United Nations (Vol. I), United Nations peacekeeping operations, UNEP, UN-Habitat, UNRWA, ICTY and IRMCT.

39. In a commendable initiative, UNU started to set aside 2 per cent of gross salaries plus post adjustment in 2014 for the funding of post-employment benefits and had accumulated an amount of $0.8 million as at 31 December 2017. However, an amount of $15.4 million remains unfunded. The Board is of the view that UNU should follow the accrual policy laid out by the Controller for Secretariat entities and increase the funding set aside for after-service health insurance. This accrual policy stipulates the current application of a monthly accrual equivalent to 3 per cent of gross salary plus post adjustment through the payroll to all posts funded by voluntary contributions. This is part of a phased approach to eventually set aside 9 per cent, as deemed necessary by the Controller to cover the liabilities. Furthermore, the Board noted that the funds are held in the United Nations cash pool and that higher returns could most likely be achieved by selecting long-term investments for the corresponding reserves. Therefore, UNU should collaborate in the efforts of the Working Group on Common Treasury Services to pursue opportunities for collaboration with respect to the investment of funds earmarked for the coverage of after-service health insurance liabilities.

F. Managing the risk of fraud

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

41. 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.

42. The Board collected information from 18 entities[18] and analysed how those entities were equipping themselves to deal with fraud. Only 11 out of 18 entities had conducted fraud risk assessments. UN-Women has developed a corporate plan to conduct fraud risk assessments for the entire entity and rolled out fraud risk assessments for selected headquarters functions and field offices. Similarly, to prevent or detect fraud, an entity needs to build capacity in the organization. For capacity-building, training is the foremost tool available. The Board reviewed the status of training related to fraud awareness and noted that all the entities had fraud awareness programmes and, except IRMCT, all entities had imparted training on fraud awareness to their staff. When asked about the percentage of staff trained, 11 entities could provide data, namely ITC, UNCDF, UNDP, UNEP, UN-Habitat, UNICEF, UNITAR, UNHCR, UNJSPF, UNODC and UNOPS. The status of the mechanisms to monitor and prevent fraud is indicated in table 7.

Table 7
Mechanisms to monitor and prevent fraud

Entity	*Has the entity conducted a fraud risk assessment?*	*Does the entity have a fraud awareness programme?*	*What percentage of staff have received such training?*
United Nations (Vol. I)	Yes	Yes	Data not provided
United Nations peacekeeping operations	Yes	Yes	Data not provided

[18] Except ICTY.

Entity	Has the entity conducted a fraud risk assessment?	Does the entity have a fraud awareness programme?	What percentage of staff have received such training?
ITC	Yes	Yes	94
UNCDF	Yes	Yes	81
UNDP	Yes	Yes	100
UNEP	No	Yes	1
UNFPA	Yes	Yes	Not available
UN-Habitat	Yes	Yes	90
UNICEF	Yes	Yes	64
UNITAR	No	Yes	68
UNHCR	Yes	Yes	33
UNJSPF	Yes	Yes	93.2 (for the Fund; no training in Investment Management Division)
UNODC	No	Yes	9
UNOPS	Yes	Yes	24
UNRWA	No	Yes	Not available
UNU	No	Yes	Not available
UN-Women	Partially	Yes	Not available
IRMCT	No	Yes	89

Source: Information provided by the different entities.

43. The Board also collected data regarding the investigation mechanism available to the different United Nations entities and noted that nine entities[19] have investigation capacity. UNODC informed that it has limited in-house capacity for investigations. Eleven entities used OIOS for investigation of fraud and internal audit. The status of the investigation mechanisms is shown in table 8.

Table 8
Investigation mechanisms

Entity	Does the entity have investigative capacity?	Agency used for investigative functions	Agency responsible for internal audit function
United Nations (Vol. I)	Yes	OIOS	OIOS
United Nations peacekeeping operations	Yes	OIOS	OIOS
ITC	No	OIOS	OIOS

[19] United Nations (Vol. I), United Nations peacekeeping operations, UNCDF, UNDP, UNFPA, UNICEF, UNHCR, UNRWA and UNOPS.

Entity	*Does the entity have investigative capacity?*	*Agency used for investigative functions*	*Agency responsible for internal audit function*
UNCDF	Yes	Office of Audit and Investigations of UNDP	Office of Audit and Investigations of UNDP
UNDP	Yes	Office of Audit and Investigations of UNDP	Office of Audit and Investigations of UNDP
UNEP	No	OIOS	OIOS
UNFPA	Yes	Office of Audit and Investigation Services of UNFPA	Office of Audit and Investigation Services of UNFPA
UN-Habitat	No	OIOS	OIOS
UNICEF	Yes	Office of Internal Audit and Investigations of UNICEF	Office of Internal Audit and Investigations of UNICEF
UNITAR	No	OIOS	OIOS
UNHCR	Yes	Office of the Inspector General of UNHCR	OIOS
UNJSPF	No	OIOS	OIOS
UNODC	Limited capacity	OIOS	OIOS
UNOPS	Yes	Internal Audit and Investigations Group of UNOPS	Internal Audit and Investigations Group of UNOPS
UNRWA	Yes	Investigations Division of UNRWA	Department of Internal Oversight Services of UNRWA
UNU	No	OIOS	OIOS
UN-Women	No	OIOS	UN-Women is currently establishing an in-house internal audit unit, which was approved by the Executive Board. Since January 2018 internal audits have been done in-house by consultants pending the recruitment of audit staff
IRMCT	No	OIOS	OIOS

Source: Information provided by the different entities.

44. The Board noted that, for the United Nations (Vol. I) and other Secretariat entities, the Under-Secretary-General for Management had issued the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat (ST/IC/2016/25) in

September 2016. The objective was to assist the Secretariat in promoting a culture of integrity and honesty within the United Nations by providing information and guidance on how the Secretariat acts to prevent, detect, deter, respond to and report on fraud and corruption. The Advisory Committee on Administrative and Budgetary Questions, in its report A/71/669, while welcoming the issuance of the Anti-Fraud and Anti-Corruption Framework by the United Nations, requested the Board's views on the related document and its application. The Board examined the implementation of this framework in the Secretariat entities as a transversal theme.

45. The issues noticed by the Board in the area of fraud awareness and prevention are discussed below.

46. In the United Nations (Vol. I), the Board noted that the Secretariat has not formulated a strategy or an action plan to operationalize the Anti-Fraud and Anti-Corruption Framework. Consequently, there are no performance indicators or a mechanism to assess and monitor the implementation of the Framework. The Board was informed that an anti-fraud and anti-corruption strategy, along with a detailed action plan, will be defined in the context of the implementation of the risk treatment and response plans, under the strategic guidance of the Management Committee. It was also stated that a manual will be designed and implemented based on the results of the Secretariat-wide fraud risk assessment, which will incorporate performance indicators and monitoring mechanisms.

47. The Board also noted the following issues in the implementation of the Framework in some of the divisions and offices audited and reported on in volume I:

(a) The Framework stipulated that all staff members are expected to complete the mandatory online anti-fraud training when it is available. The Board noted that in the United Nations Office at Nairobi, only 37 (4 per cent) of the 866 staff available to take the training had completed it;

(b) In the Procurement Division, even though the Board observed the use of various means to communicate the expectations of a high level of ethics and integrity, it could not identify any proactive efforts that encouraged procurement staff to complete the mandatory anti-fraud training. Furthermore, apart from a sporadic training session during the annual Chief Procurement Officers conference, no specific stand-alone anti-fraud training related to the procurement function was available.

48. UNEP is supposed to implement the Anti-Fraud and Anti-Corruption Framework issued by the United Nations Secretariat in 2016, but has not taken adequate measures to create awareness regarding the Framework among its staff. Only 12 (1 per cent) of 1,278 target UNEP staff had undertaken the mandatory training as at May 2018. UNEP was planning to conduct outreach activities in 2018, but no resources have been allocated for this purpose.

49. UNU has not yet fully implemented the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat. UNU had not assigned specific roles and responsibilities regarding anti-fraud and anti-corruption to managers at different levels of the hierarchy for preventing and managing fraud and corruption and had not identified and addressed fraud and corruption risks in its risk register.

50. UN-Habitat did not have adequate information regarding the staff members who had completed the mandatory training. Furthermore, the enterprise risk management framework that was developed did not consider fraud risk as one of the corporate risks.

51. The Board noted that some UNHCR country operations have to operate in contexts that make them vulnerable to fraud and corruption. Owing to its mandate and the nature of its business, UNHCR cannot avoid operating in these areas that are

vulnerable to fraud and corruption. The Board further noted that UNHCR had a strategic framework for the prevention of fraud and corruption in place that addressed the matter. The strategic framework is supplemented by additional policies and explanatory guidance. The Board further noted that UNHCR had reported 38 cases of proven financial fraud during 2017. The Board holds that the numbers are an indication that the UNHCR internal mechanism for the detection of fraud and corruption are functioning properly. However, the Board also noted that UNHCR country operations had different levels of maturity with regard to their fraud and corruption prevention activities.

52. While UN-Women has developed a corporate plan to conduct fraud risk assessment for the entire organization, the Board observed that during the time of the audit, fraud risk assessments had not been completed and there were no individual fraud risk assessment plans for any of the six field offices visited. Also, the field offices did not conduct fraud risk assessments as required by the enterprise risk management guidelines. However, UN-Women has designed a phased approach to rolling out the risk assessments, during which headquarters functions will complete individual fraud risk assessments in 2018 and country offices will complete them in 2019. While UN-Women has addressed fraud risk in its corporate risk register, this will be further supported by the individual fraud risks assessments that are planned for each risk unit and, in addition, will be supplemented by mandatory anti-fraud training that will be rolled out during 2018.

53. In 2015, UNFPA established an enterprise risk management process to ensure that a comprehensive and effective enterprise risk management strategy was maintained at UNFPA. It aimed at ensuring successful risk management and creating a focused, harmonized and sustainable risk management culture at UNFPA. However, by the end of the period under review, UNFPA had not yet formalized the enterprise risk management policy and therefore the country offices use guidance notes and some learning materials developed at headquarters to align the identified risks and responses with established enterprise risk management practices. The Board found that those documents did not have sufficient details or guidance, for example, on the criteria for ranking the risks as low, medium or high during risk assessment.

G. Implementing partners

54. The United Nations and its funds and programmes have a vast mandate to fulfil. They need to work in different areas of the world and continuously provide services and assistance. It is neither economical nor efficient for the United Nations and its funds and programmes to deploy their staff for all of the work they execute. Thus, they accept help from implementing partners in delivering their mandate. An implementing partner is an entity that is responsible and accountable for ensuring the proper use of agency-provided resources and the implementation and management of the intended programme as defined in the workplan. An implementing partner can be a governmental or non-governmental agency, or even a United Nations agency which is executing the work.

55. The Board has reviewed the relationship of implementing partners with the United Nations, its funds and agencies (see table 9). United Nations entities need to ensure the effective selection, monitoring and assessment of implementing partners for effective delivery of their mandate through such partners.

Table 9
Implementing partners

Entity	*Amount transferred to implementing partners as a percentage of total expenditure*	*Does the entity have a defined policy/framework for the transfer of funds to implementing partners?*	*Does the entity have a risk-based assurance framework for monitoring the work of implementing partners?*	*Does the entity have defined assessment tools to monitor the work of the implementing partners?*
United Nations (Vol. I)	16	Yes	Yes	Yes
ITC	3	No	No	No
UNCDF	16	Yes	Yes	Yes
UNDP	45	Yes	Yes	Yes
UNEP	50	Yes	Yes	Yes
UNFPA	37	Yes	Yes	Yes
UN-Habitat	14	Yes	Yes	Yes
UNICEF	35	Yes	Yes	Yes
UNITAR	21	Yes	Yes	Yes
UNHCR	39	Yes	Yes	Yes
UNODC	7	Yes	Yes	Yes
UNOPS	15	Yes	Yes	No
UN-Women	19	Yes	Yes	Yes

Source: Information provided by the different entities.

56. The Board noted that 13 entities[20] use implementing partners to execute their mandate. They transfer substantial amounts to implementing partners to carry out the activities. The amounts transferred ranged between 3 per cent (ITC) and 50 per cent (UNEP) of their expenditure.

57. The Board further noted that all the reviewed entities, except ITC, have a defined policy or framework for transferring funds to implementing partners and a risk-based assurance framework for monitoring the work of implementing partners. In addition, all the reviewed entities, except ITC and UNOPS, have defined assessment tools to monitor the implementing partners.

58. The Board also reviewed the types of implementing partners used by different entities for executing the work. Table 10 details the types of implementing partners that United Nations entities are using. The Board noted that, except UNCDF (which uses only governmental organizations as implementing partners), all other entities use United Nations system entities and governmental and non-governmental organizations as implementing partners.

[20] United Nations (Vol. I), ITC, UNCDF, UNDP, UNEP, UNFPA, UN-Habitat, UNICEF, UNITAR, UNHCR, UNODC, UN-Women and UNOPS.

Table 10
Different types of implementing partners

Entity	*Total number of implementing partners*	*United Nations system entities as implementing partners (percentage)*	*Governmental organizations as implementing partners (percentage)*	*Non-governmental organization as implementing partners (percentage)*
United Nations (Vol. I)	919	9	5	86
ITC	10	10	20	70
UNCDF	11	0	100	0
UNDP	942	5	88	7
UNEP	969	8	46	46
UNFPA	1 387	2	45	53
UN-Habitat	153	6	26	68
UNICEF	9 566	0	58	42
UNITAR	78	3	74	23
UNHCR	1 035	2	17	81
UNODC	102	9	3	88
UNOPS	2 204	Not available	Not available	Not available
UN-Women	781	3	6	91

Source: Information from the different entities.

59. The issues noticed by the Board in the managing of implementing partners are discussed below.

60. Country-based pooled funds are multi-donor humanitarian financing instruments. In 2017, there were 18 such pooled funds in 18 countries affected by humanitarian crises. The pooled funds are managed by the Office for the Coordination of Humanitarian Affairs at the country level, under the leadership of the Humanitarian Coordinator, who is the United Nations official in charge of leading and coordinating humanitarian assistance in a country experiencing an emergency. In accordance with paragraph 108 of the "Operational handbook for country-based pooled funds", following the signature of the grant agreement by all parties, funds are required to be disbursed within 10 working days. From an analysis of the data on 1,271 projects that were signed by the Executive Officer in 2017, the Board noted that there were delays in disbursement of up to seven months in 269 projects (21 per cent). The Board holds that the delay in disbursement of instalments to implementing partners may adversely impact the intended purpose of the projects.

61. Pursuant to paragraph 267 of the "Operational handbook for country-based pooled funds", partners must submit the final narrative report and final financial statement within two calendar months after the end of the project implementation. The fund manager and the Funding Coordination Section at Headquarters have up to one calendar month to review and clear the financial statements. The projects are required to be audited within two months from the clearance of the final financial statements. The Humanitarian Financing Unit and the Funding Coordination Section of the Office for the Coordination of Humanitarian Affairs will review and close the project within two months from the receipt of the audit report. Partners have one month from the date of notification to refund amounts due. Proof of payment needs to be received and acknowledged by the Office. In an analysis of data on the country-based pooled funds projects, the Board observed that, of the 1,350 projects that ended in 2017, the final financial statements were delayed for 364 projects and the

submission of final narrative reports was delayed for 377 projects. The Board also observed that refunds totalling $27.54 million were due from implementing partners for 558 projects for which allocations were made during 2015, 2016 and 2017. Even after excluding the projects with refunds due of less than $75, as per the decision of the Chief of Finance, and the projects with an end date after 31 December 2017, the Board noted that the refunds due amounted to $23.31 million against 417 projects.

62. The combined delivery report is a mandatory official report that records project expenses and funds. In UNDP, the Board continued to note delays in the signing and uploading of certification of the combined delivery reports in the corporate planning system in the first and second quarter for 68 out of 87 reviewed projects. The Board also noted that the combined delivery reports for the third quarter for 86 projects, which were supposed to be sent to the implementing partners by 15 October 2017, had not been generated and sent to implementing partners as at 10 November 2017. This is contrary to the programme and operations policies and procedures on combined delivery reports, which require the certified combined delivery report and the follow-up request, when no response is received from the implementing partners, to be uploaded to the combined delivery report library no later than 45 calendar days after the end of the respective quarter.

63. The release of funds to implementing partners was delayed for periods ranging from 3 to 45 days after the submission of the payment request in the UN-Habitat country offices in the Lao People’s Democratic Republic and the Syrian Arab Republic, which is not in line with the implementing partner policy and cooperation agreement.

64. In ITC, the CUBED approach (institutional due diligence assessment for programme design) was to be used to evaluate and select implementing partners. The CUBED approach uses a questionnaire method to map six attributes (committed, capable, connected, resourced, relevant and recognized) and gives weighted scores. The Board noted that, of the 14 implementing partners engaged in the Gambia project, only 6 were included in the ITC CUBED report of May 2017, and the other 8 were not assessed at all in the CUBED report.

65. From a review of assessment reports on 30 implementing partners at three UNFPA country offices, the Board found that the micro assessments of 28 implementing partners had been concluded without documenting the work done to support the conclusions. Also, micro assessments for six implementing partners with signed workplans were not conducted at some country offices. In addition, there was no documentation on how samples of transactions for spot check were determined, and no follow-up was done on the implementation of the previous micro-assessment recommendations.

66. In its previous report on UN-Women (A/72/5/Add.12), the Board raised concerns over deficiencies in selecting implementing partners. The Board acknowledges that UN-Women has strengthened the selection of partners process with a revision of its programme and operations manual in August 2017. However, the Board continued to note similar cases in five out of the six field offices visited during the current audit. The Board found that the field offices engaged a total of 29 implementing partners without performing comparative screening to obtain the best three candidates for full assessment, as required under annex B of the programme and operations manual.[21] Also, implementing partner assessment reports for all six field offices did not include the overall risk scores of the implementing partner being assessed. The Board is of the view that partial assessment increases the risk of engaging partners with inadequate capacity to discharge the UN-Women mandate.

[21] Requires a detailed screening of potential partners in order to identify at least three candidates to be shortlisted for capacity assessment to be conducted.

H. Safety and security

67. The United Nations has over 4,500 premises in over 122 countries. The United Nations system has over 180,000 staff and non-staff working towards its mission. In the early 1990s, the security environment for the United Nations changed and became more threatening. From 1990 onwards, there was a rise in the number of deaths and injuries to personnel as a result of malicious acts. The mandate of the United Nations also evolved, resulting in a larger number of United Nations personnel, notably from the humanitarian agencies, being deployed on potentially hazardous missions.

68. At the same time, peacekeeping missions were being established in areas of conflict or in situations of high risk. Increasingly, humanitarian personnel were being deployed alongside peacekeeping military units in integrated multidisciplinary missions. The area of safety and security has therefore become very important.

69. The Board reviewed safety and security as a transversal theme for the Secretariat entities. The issues noticed by the Board in this area are discussed below.

70. In the United Nations (Vol. I), the Board observed that the Policy and Compliance Service[22] does not maintain a country- or duty station-specific policy compliance matrix to monitor the level of implementation of the policies of the United Nations Security Management System. There is no platform (web portal, ICT-enabled application or other non-ICT tool) to monitor and share policy compliance, in real time, with stakeholders. The Board also noticed deficiencies in describing threats and in implementing security measures in the security risk management process.[23] Deficiencies in the security risk management process have a direct impact on the timely implementation of the security measures that form the basis of the safety and security of United Nations personnel and programmes.

71. In accordance with the framework of accountability, the Under-Secretary-General for Safety and Security has encouraged United Nations Security Management System organizations to implement internal self-assessment mechanisms to monitor adherence to policies and address non-compliance instances. However, the Board observed that the Department of Safety and Security neither collected data on the number of such internal assessments, nor had it issued any guidelines or templates for carrying out such assessments. The Board noticed that while the Secretary-General's bulletin on information sensitivity, classification and handling (ST/SGB/2007/6) generally covered the classification and handling of information, no specific confidentiality agreement has been executed with the analysts and no restrictions on the use of social media had been placed upon them.

72. The Board analysed the emergency evacuation guide and evacuation procedure of the UNU headquarters building in Tokyo, the UNU business continuity plan and the UNU emergency response plan and noted the following weaknesses: (a) while the implementation of the UNU emergency response plan had been planned, it had not yet been tested; the Board noted, however, that the plan had been updated in January 2018; and (b) the UNU business continuity plan has been tentative for years and did not include a disaster recovery plan, as required by industry standards. The Board holds that without an emergency response plan and a business continuity plan, UNU

[22] The Policy and Compliance Service is the secretariat of Inter-Agency Security Management Network, which is responsible for reviewing the various policies, manuals and guidelines, as well as monitoring and evaluating the implementation of and compliance with security policies, procedures and guidelines of UNSMS.

[23] Security risk management is an analytical process of the United Nations Security Management System for assessing the operational context of the United Nations to identify the risk level of threats that may affect United Nations personnel, assets, premises and operations, on the basis of which security management decisions are made.

has no instructions on how to maintain key functions during a critical incident and how to continue business in case of interruption by an emergency or disaster. UNU performs one building evacuation drill and safety equipment training session per year at its headquarters building in Tokyo. These evacuation drills and training sessions are only on a voluntary basis and are always preannounced to the personnel. The Board noted that only mandatory training, in combination with drills that were also mandatory and not preannounced, could fully prepare United Nations personnel for emergency situations.

I. Human resources management

73. Human resources are the most important asset of an organization like a United Nations entity. In the context of its review of the proposed programme budget for the biennium 2018–2019, the Advisory Committee on Administrative and Budgetary Questions requested the Board to undertake a performance audit with respect to the use of consultants across the Secretariat.

74. The issues noticed by the Board regarding the use of consultants are discussed below.

75. The Board noted that Inspira, the enterprise talent management platform of the United Nations Secretariat, was introduced in 2010 to administer a number of functionalities, including the system for the selection of consultants and individual contractors. The Board found that the Economic Commission for Africa (ECA) and the Economic Commission for Latin America and the Caribbean (ECLAC) used Inspira for the selection of consultants and Umoja for further processes, such as issuing the contract and making online payments to the consultants. In the Department of Economic and Social Affairs, however, the process of selecting consultants was managed offline, Umoja was used for issuing contracts and making payments and Unite docs was used for maintaining digital copies of documents. The Board was informed that the consultant functionalities in Inspira had not yet been deployed at United Nations Headquarters. In the database of candidates maintained in Inspira at ECA and ECLAC, the Board noted the repetition of names of persons. Furthermore, no history of the consultancy assignments for which a particular consultant had been considered and hired in the past was available and, for unadvertised job openings, the total number of eligible candidates available for selection and the basis on which the hiring divisions had chosen the shortlisted candidates could not be ascertained. Inspira does not allow for viewing a comprehensive picture of consultant engagements across the Secretariat unless the user is assigned to all the job openings. For instance, in the case of one contract, one of the shortlisted candidates could not be considered for selection as he was already working for OIOS.

76. Similarly, in the Department of Economic and Social Affairs, the Board did not find rosters that were maintained centrally with easy access to all divisions and for audit purposes or clearly documented procedures in place to continually expand the pool of potential consultants. A large pool of potential consultants accessible to other United Nations entities, such as ECA or ECLAC, through the online system Inspira were reported to be unavailable to the Department owing to access issues.

77. A UNICEF administrative instruction provides that the decision to opt for single-source selection shall be properly documented in a note for the record, duly approved by the Head of Office or Division Director with the delegated authority. Of the 6,660 contracts issued globally during 2017 for the hiring of consultants, 432 were awarded based on the single-source selection method. The Board noticed cases in which: (a) the note for the record attached in VISION (the UNICEF enterprise resource planning system) had only the recommendation for selection, and the

approval of the Division Director was not available; and (b) the note for the record did not have designation of the signing authority or date of signature and, therefore, the Board could not ascertain whether it had been approved by the Division Director.

78. The same UNICEF administrative instruction provides for the re-engagement of former and retired staff members subject to prior written clearance by the Director of the Division of Human Resources. The Board observed that in 390 cases (out of a total of 719 cases), even though the consultants fell under the category of retired or former employees, UNICEF did not record the approval by the Division of Human Resources.

79. The ITC guidelines on recruitment and administration of consultants (2017) stipulate that the hiring manager should identify and evaluate at least three qualified applicants from the ITC consultant roster maintained by the Human Resources Division. Should the roster contain only one qualified applicant that the hiring manager wishes to contract, the hiring manager must provide a written justification for the selection. The hiring manager may advertise assignments on any e-platform maintained by ITC, on the ITC website or through external publication to expand the pool of candidates. At the time of the audit, ITC had 6,890 candidates on its consultant roster. The Board noted that ITC had awarded 71 (42 per cent of the test checked cases) contracts on single bid. Hiring managers had not advertised the assignment to expand the pool of candidates. In considering just one candidate in 42 per cent of the contracts for consultants, ITC was deprived of a competitive selection process in the hiring of consultants.

80. The Board identified three cases of consultants whose contracts were not in line with the rules and regulations of UNU. Furthermore, the entire transaction was not documented on file in a comprehensible and fully justifiable form. For example, two contracts with retired staff members did not comply with the administrative instruction on consultants and individual contractors (ST/AI/2013/4), as the retired staff members were in receipt of a benefit from UNJSPF and they were hired for more than six months per calendar year.

81. Furthermore, the Board noted that the UNU Institute for the Advanced Study of Sustainability uses the Atlas enterprise resource planning system for its financial management. To control the payments related to personnel service agreements, consultants or individual contractor contracts, the Institute uses a spreadsheet with monthly standing orders. An electronic system for managing the personnel files would ensure transparent documentation of these processes and limit the risk of errors and the possibility of tampering with orders.

82. The expenses of UNHCR for individual consultants are rather small compared with its overall expenses on human resources. Pursuant to its policy, UNHCR engages individual consultants under temporary contracts who possess special skills or knowledge not readily available in UNHCR and for which there is no continuing need. The Board found several cases in which UNHCR did not comply with its policy. Areas of non-compliance with the policy included provisions on the engagement, selection, monitoring and evaluation of individual consultants, as well as the payment process. For instance, the Board noted that in several cases UNHCR hired consultants to perform the regular day-to-day functions of staff members and to have representative or supervisory responsibilities, even though this was not permitted pursuant to its policy. In addition, the Board noted room for refining the policy. Areas for enhancement of the policy and supplementing standard operating procedures included the selection and engagement process, standardization of the determination and documentation of the negotiation of consultants' fees, the horizontal segregation of duty when waivers (for example, with regard to the shortlisting of candidates or exceeding thresholds) are issued and the filing system.

83. UNFPA launched a new consultant monitoring tool on 1 February 2017. The tool is an online monitoring system for individual consultants that provides a way to track the use of individual consultants across UNFPA and serves as a data and document repository. The system registers information on consultants in a centralized database for easier tracking of such information, thereby giving UNFPA a better overview of the use of consultants and providing quick information about any issue that may arise. However, as of November 2017 a total of 54 (35 per cent) out of 155 UNFPA country offices were not using the tool effectively and consistently. For instance, at some country offices details of 13 individual consultants were not uploaded and created in the tool, while records of 39 (75 per cent) out of 52 contracted individual consultants were uploaded in the tool after delays ranging from five days to eight months, which is contrary to the UNFPA policy and procedures on contracting individual consultants.

84. The issues noticed by the Board in the area of human resources management, other than the use of consultants, are discussed below.

85. ITC implemented an agreed termination programme and invited all staff members to express their interest through an email on 17 November 2016, wherein it was stated that all applications would be considered on a case-by-case basis where there was a convergence between the interests of the organization and the individual staff member. ITC terminated the appointment of four staff members under the programme on 31 December 2017, citing the interest of good administration under subparagraph (a) (vi) of regulation 9.3 of the Staff Regulations and Rules of the United Nations, which details the reasons for which the services of staff members with temporary, fixed-term or continuing appointments may be terminated. The Board is of the view that an organization should consider the merits and demerits of retaining staff and the impact of their removal on the administration. However, in the present case, ITC offered the scheme to all the staff occupying regular budget posts. Under the scheme, ITC did not assess how the termination of these staff would benefit the organization. During the audit, the e-performance system was reviewed and it was found that all the terminated staff members had met the expectations of the organization.

86. In UNDP, from the review of 47 service contracts in three country offices (Malawi, Paraguay and South Africa), the Board noted delays in the evaluation of the service contracts. Of these service contracts, evaluations of 15 (32 per cent) were performed within 1 to 26 days before the expiration of the contracts, evaluations of 7 (15 per cent) were performed after the expiration of the contracts, while the evaluations of 12 service contracts (26 per cent) were not performed at all. This practice is not in line with the programme and operations policies and procedures on human resources management, under service contracts, which require the evaluation of service contract holders to be completed ideally one month before the expiration of the service contract. Management explained that in some cases evaluations were done on time, but the signing of the reports was delayed owing to several factors, such as the absence of the officers of the respective implementing partners and inadequate monitoring of the quality and timeliness of the evaluations.

87. In ICTY, six cases pertaining to disciplinary matters, disputes and appeals against decisions of the Disciplinary Unit and the United Nations Dispute Tribunal are pending. In respect of two of the cases, a provision of $420,000 has been made. This is important as ICTY has closed its operations and is now merged with IRMCT.

88. According to paragraph 22 of Area Personnel Directive No. PD/A/23 of 1 April 2012 of UNRWA, the annual increment is part of the Agency's pay policy and one step salary increment is allowed in the pay grade for those awarded an overall performance rating of "fully meets expectations or above". However, from the review

of staff performance appraisal and salary increments, the Board found cases of non-compliance with the policy. The UNRWA area staff selection policy requires the recruitment process to be completed within a period of 90 days from the date of publication of the vacancy notice to the date a selection decision is made. At one field office, there were delays ranging from 106 to 223 days in the recruitment for 10 out of 22 area staff vacancies; and at another field office, the delays ranged from 15 to 197 days in the recruitment for 43 out of 54 area staff vacancies.

89. Paragraph 2.1 of the Secretary-General's bulletin on employment and accessibility for staff members with disabilities in the United Nations Secretariat (ST/SGB/2014/3 of 19 June 2014) establishes the measures to which the Organization is committed, within existing resources or with any additional resources approved for this purpose by the General Assembly. In reviewing the proactiveness of UNFPA towards the implementation of the Secretary General's bulletin, the Board observed that UNFPA has neither established a policy on staff with disabilities nor appointed a focal point for persons with disabilities. The Board considers that a policy on staff with disabilities would encourage and demonstrate a non-discriminatory and inclusive working environment for current and prospective staff members of UNFPA.

90. According to paragraph 19 of the report of the Secretary-General (A/71/344), reasonable accommodation is to be provided to staff members with disabilities to remove workplace barriers, thereby enabling them to effectively perform their official functions. However, during its evaluation of the proactiveness of UN-Women towards compliance with the policy, the Board observed that UN-Women has no specific policy on matters relating to staff with disabilities. UN-Women informed the Board that its preference would be to finalize an action plan or guidelines rather than a policy as this would serve as a practical tool for directly implementing the changes necessary.

J. Managing globally dispersed operations

91. The United Nations and its funds and programmes have continued to evolve as decentralized organizations and therefore still face challenges in oversight, accountability and governance for globally dispersed operations. In its previous concise summary the Board had noted issues in various entities on managing their globally dispersed operations. While entities recorded progress in this area, during their audit, the Board continued to note the need for enhanced control frameworks to manage the risks in diverse fields of operations as follows.

92. The Board observed in UNICEF that the data for the strategic monitoring questions for the entire strategic plan for the period 2014–2017 were available for only 157 out of 190 countries in which UNICEF supports activities under its water, sanitation and hygiene programme. Therefore, complete data for all the countries in which UNICEF works were not available. Similarly, the information related to many strategic monitoring questions was not available for all 157 countries. This prevents any comparative analysis of the results achieved through the programme.

93. Section 7 of the programme and operations policies and procedures on implementing the programme, under annual programme review, requires a systematic review of the UNDP country programme as part of the United Nations Development Assistance Framework[24] annual review process. However, the Board noted instances of non-compliance with the requirement at three out of the six country offices visited. For example, at the Paraguay country office, the monitoring and evaluation plan under the Framework was yet to be developed for the programme cycle 2015–2019, periodic

[24] In South Africa, the United Nations Development Assistance Framework is called the "Strategic Cooperation Framework".

reviews had not been done and the annual reviews under the Framework were not performed for 2015 and 2016. At the South Africa country office, the annual reviews of the Framework and country programme document were not done from 2013 to 2015, while at the Egypt country office the midterm evaluation, which was supposed to be conducted in 2014, had not been conducted as at November 2017. The Board considers that monitoring and evaluating of the Framework and the country programme document are crucial to enable the United Nations country team and partners to make timely decisions based on evidence of evaluation results that will enhance subsequent performance throughout the programme cycle.

94. In UNHCR, during the field visits, the Board noted that the country operations had not fully documented and implemented formal disaster recovery plans for the ICT infrastructure. The ICT staff were aware of the necessary steps to recover from failure or impairment of such infrastructure. For instance, staff stated that they had implemented local guidelines for data backup but not in a written form. The Division of Information Systems and Telecommunications had distributed the operation infrastructure server backup procedures in 2016 and again in 2017. Those procedures describe in detail the implementation of off-site archiving procedures. In none of the country operations visited were the guidelines fully implemented.

K. Procurement and contract management

95. Long-term supply contracts are important for any service or delivery organization. Such contracts ensure reduced costs, increased efficiency and communication with vendors, stable pricing, improved supply chain management and continuous improvement in the quality of the product.

96. The Board reviewed the procurement management of the entities[25] (see table 11). In the total procurement by the different entities, the share of services and supplies procured was 52 per cent and 48 per cent, respectively. All entities had long-term contracts for standard items that they purchased. The Board noted that four entities (United Nations (Vol. I), United Nations peacekeeping operations, UNFPA and UN-Habitat) could not provide information on the purchases made through the long-term contracts. Among entities, the range of purchases made through the long-term/system contracts was 6 per cent (UN-Women) to 71 per cent (UNICEF). Interestingly, many entities did not monitor the purchases of standard items outside long-term contracts.

Table 11
Procurement management
(Millions of dollars)

Entity	*Total procurement by the entity*	*Procurement of services*	*Procurement of goods*	*Does the entity have system/long-term contracts in place?*	*Procurement through system/long-term contracts as a percentage of total procurement*	*Purchases for which system/long-term contracts exist but have not been used*
United Nations (Vol. I)	1 289	1 164	124	Yes	Not available	Not available
United Nations peacekeeping operations	1 688	648	1 040	Yes	Not available	Not available
ITC	14	12	2	Yes	64	–
UNCDF	23	23	0.1	Yes	61	Not Available
UNDP	2 117	1 396	721	Yes	17	Not Available

[25] Except UNJSPF.

Entity	Total procurement by the entity	Procurement of services	Procurement of goods	Does the entity have system/long-term contracts in place?	Procurement through system/long-term contracts as a percentage of total procurement	Purchases for which system/long-term contracts exist but have not been used
UNEP	21	20	1	Yes	29	–
UNFPA	318	148	170	Yes	Not available	Not available
UN-Habitat	31	28	3	Yes	Not available	Not available
UNICEF	3 460	1 118	2 342	Yes	71	–
UNITAR	3	3	0.4	Yes	43	–
UNHCR	1 240	807	433	Yes	23	Not available
UNODC	73	52	21	Yes	11	Not available
UNOPS	1 069	474	595	Yes	25	Not available
UNRWA	244	105	139	Yes	16	–
UNU	6	4	1	Yes	29	Not available
UN-Women	104	92	12	Yes	6	Not available
ICTY and IRMCT	17	15	2	Yes	35	–

Source: Information provided by the different entities.

97. The issues noticed by the Board in procurement and contract management are discussed below.

98. In the United Nations (Vol. I), the Board noticed that, in the delegation of procurement authority, reporting lines and oversight mechanisms are not established. In addition, most delegation documents did not describe oversight mechanisms except for the review by the local committee on contracts. The local committee on contracts reviewed only cases above certain thresholds on an ex-ante basis. Ex-post reviews of, for instance, cases with a lower value had not been provided for. The cases in which the contract target amount exceeded the threshold of the delegation were however reviewed twice, by the Headquarters committee on contracts and the local committee on contracts. The Board also found that the delegations of procurement authority were not systematically reviewed and adapted accordingly. The oldest delegation of procurement authority had been in place since 2008 and has not been reviewed since then. The Board considers it crucial that each official delegating authority must be aware of how the authority delegated is exercised. To this end, the reporting requirements for the actions taken under any subdelegation and the controls applicable should be clearly defined. While Umoja might facilitate controls, additional reports and checks are needed for processes outside Umoja.

99. The Board identified potential efficiency gains with regard to the location of the UNHCR global warehouse in Copenhagen. A review undertaken by a third party in 2014 proposed, among other things, that shipments to Africa should exclude the warehouse in Copenhagen. The Board’s own analysis revealed that in previous years 100 per cent of the stock came from Asia, while a substantial part of outgoing shipments went to countries in the southern hemisphere, including in Africa. The Board noted that a third party was currently undertaking a review of the Copenhagen and Accra locations. The Board also noted a situation in the past in which the Division of Emergency, Security and Supply had airlifted a number of core relief items to an emergency operation when there was sufficient stock nearby belonging to a neighbouring country operation. The airlift for the emergency was a quite costly solution to transport the stocks to this emergency operation.

100. According to its supply manual, UNICEF global freight forwarders use Internet-based track and trace systems that can also be accessed by country offices. Country offices should access these on a regular basis to monitor arrival dates and avoid any delay charges. The Board examined the biweekly report of the Supply Division of UNICEF for January 2018, which contains the cumulative status up to 31 December 2017, and noticed that a total number of 9,081 containers were shipped for UNICEF during 2017 with estimated arrival date of 31 December 2017 or earlier. The Board also noticed that the total number of demurrage days was 213,451, with estimated demurrage charges of $4.82 million. The average number of demurrage days per container was 24. The Board also noted that the East Asia and Pacific Regional Office had the highest average number of demurrage days (102 days) among the UNICEF regional offices.

101. According to the UNICEF supply manual, the purpose of contract management is to ensure that all parties to the contract fully meet their respective obligations as efficiently and effectively as possible, providing the best value for money. The last step in the contract management phase is the contract closure. The Board observed that the validity period of 138 contracts had ended between 31 July 2013 and 31 December 2017, but they remained open in the VISION enterprise resource planning system with a balance of $0.89 million. These included 46 contracts whose validity had expired before 1 January 2017. The Board also observed that 26 contracts had negative balances of $0.50 million, for which there was no reason recorded in the system.

102. In UN-Habitat, the lease agreement in the Libya country office was signed by an engineer who was not a staff member and had no delegated authority to sign the agreement.

103. In UNRWA, 17 out of 21 hospital contracts were signed after delays ranging from five to six months from 1 January 2017, while two of the contracts were not signed until after they had expired on 31 December 2017. In both cases, the hospitals started providing services to refugees without binding contract. This is contrary to the requirement of the UNRWA procurement manual. In 2 of the 25 contracts (15 service contracts and 10 goods contracts) reviewed by the Board, the contracts were awarded to the second-ranked bidders for reasons that were not part of the evaluation criteria. There were delays in the delivery of goods ranging from 1 month to 41 months in respect of 191 of the 203 purchase orders reviewed by the Board.

L. Travel management

104. Travel management is an important element of overall management of any United Nations entity owing to the dispersed nature of operations. The status of the travel policy in the different entities is shown in table 12.[26] The Board noted that entities had different policies for advance booking, which varied from 7 days in UNOPS to 21 days in UNDP, UNICEF and other entities.

105. At the request of the Board to confirm whether any cost-benefit analysis of non-compliance with the 16-day advance air ticket purchase policy was conducted, the United Nations Secretariat informed the Board that data from the travel agency confirms that, on average, a ticket purchased 14 days or more in advance of the travel start date is $200 cheaper than a ticket purchased fewer than 14 days in advance.

106. In its report on standards of accommodation for air travel (A/72/7/Add.44), the Advisory Committee on Administrative and Budgetary Questions again expressed its

[26] Except ICTY.

concern over the low compliance rate with the advance purchase policy directives and encouraged stronger efforts in that regard.

107. Review of compliance with the advance travel booking policy revealed that six entities[27] (United Nations peacekeeping operations, UNCDF, UNDP, UNFPA, UNOPS and UN-Women) did not have data on compliance with the advance travel booking policy. In the absence of data on compliance, it would not be possible for entities to effectively enforce the policy. In view of the concern expressed by the Committee, it was important for all the entities to effectively monitor compliance with the advance purchase policy.

108. In its report, the Advisory Committee on Administrative and Budgetary Questions encouraged the Secretary-General to collect data on the use of videoconferences and alternative methods in lieu of travel and to reflect the data in future reports.

109. Six entities[28] claimed to monitor the possibility of using videoconferencing and other alternative modes to minimize travel. When asked about the savings achieved through the use of videoconferencing and other alternative methods, however, no entity could give the amount of savings achieved. This depicts the need to improve the data collection mechanism. Without the data it is not possible to assess whether entities are really exploring the alternate means to avoid unwarranted travel.

Table 12
Travel management

Entity	*As per the policy, how many days in advance of travel is the travel ticket to be booked?*	*Percentage of travel tickets booked as per the policy*	*Does the entity monitor the possibility of using teleconferencing, video teleconferencing and other modes to minimize travel?*
United Nations (Vol. I)	16	34	Yes
United Nations peacekeeping operations	16	Not available	Yes
ITC	16	29	Yes
UNCDF	21	Not available	No
UNDP	21	Not available	No
UNEP	16	47	No
UNFPA	21	Not available	No
UN-Habitat	16	32	No
UNICEF	21	23	Yes
UNITAR	10	78	No
UNHCR	16	20	Yes
UNJSPF	16	73	No
UNODC	16	24	No
UNOPS	7	Not available	No
UNRWA	15	19	Yes
UNU	As far in advance as possible	Not applicable	No
UN-Women	15	Not available	No

[27] UNU has not recommended a timeline for the advance purchase of travel tickets. Therefore, it also did not have any data related to compliance with a travel timeline. Nevertheless, its travel policy recommends the booking of travel tickets as early as possible.

[28] United Nations (Vol. I), United Nations peacekeeping operations, ITC, UNICEF, UNHCR and UNRWA.

Entity	As per the policy, how many days in advance of travel is the travel ticket to be booked?	Percentage of travel tickets booked as per the policy	Does the entity monitor the possibility of using teleconferencing, video teleconferencing and other modes to minimize travel?
IRMCT	16	60	No

Source: Information provided by the different entities.

110. The issues noticed by the Board with regard to travel management are discussed below.

111. UNICEF informed the Board that following an enhancement in VISION, effective from 1 September 2016, all new travel authorizations are blocked from opening when three or more travel authorizations are open in the system. The Board noted that several travellers had more than three trips (started after 1 September 2016) open, which should not have been possible if the enhancement of VISION for travellers with three or more trips had been deployed effectively. The Board also noticed instances where travellers with three open trips were able to get four or more trips opened without closing earlier trips.

112. The Staff Regulations and Rules provide that the United Nations shall pay the travel expenses of its staff members. Section 3 of the administrative instruction on official travel (ST/AI/2013/3) states that prior to authorizing any official travel, the primary consideration should be whether direct face-to-face contact is necessary for mandate implementation. Furthermore, in accordance with paragraph 3.3 of that administrative instruction and rule 7.8 of the Staff Regulations and Rules (ST/SGB/2017/1), all travel arrangements for individuals, including advance booking and purchase of tickets, should be finalized 16 calendar days in advance of commencement of official travel. Failure to do so requires programme managers to provide justification. From a review of the advance purchase policy compliance report in the business intelligence module in Umoja, the Board noted in United Nations (Vol. I), that the date of purchase of tickets is not being entered in Umoja. The date of approval of the Travel Processing Office is taken as a proxy for the date of ticket purchase. As the approval date is invariably earlier than the purchase date, taking the approval date as a proxy for the date of ticket purchase in Umoja runs the risk of overstating the days of advance purchase.

113. In ITC, the Board noted that in 2017 the number of non-compliant cases had increased slightly to 71 per cent (from 70 per cent in 2016) as out of 2,616 trips undertaken during January 2017 to December 2017, 1,864 trips were not processed within 16 days of the travel.

III. Implementation of outstanding recommendations

114. In every audit report, the Board analyses various issues during the audit and makes recommendations. The recommendations are addressed at improving the functioning of an entity. From time to time, the Advisory Committee on Administrative and Budgetary Questions and the Fifth Committee have expressed concern over the slow rate of implementation of the Board’s recommendations and have requested the Secretary-General and the executive heads of the funds and programmes of the United Nations to ensure full implementation of the recommendations. The Board reviewed the status of old recommendations (see table 13) and noted with concern that the overall rate of implementation of the old recommendations had increased only marginally from 45 per cent in 2016 to 48 per cent in 2017. The individual rates of implementation range between 17 and 84 per cent for the different entities.

Table 13
Status of previous audit recommendations

Entity	Number of previous audit recommendations as at end of financial period		Fully implemented during the period		Under implementation during the period		Not implemented during the period		Overtaken by events during the period	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
United Nations (Vol. I)	129	98	31	17	84	66	12	10	2	5
United Nations peacekeeping operations	71	63	34	39	33	16	2	1	2	7
ITC	23	14	16	2	7	12	0	0	0	0
UNCDF	11	10	8	6	2	2	0	1	1	1
UNDP	42	40	25	29	17	10	0	0	0	1
UNEP	17	23	8	14	8	7	1	1	0	1
UNFPA	33	30	24	15	8	15	0	0	1	0
UN-Habitat	23	13	13	4	8	9	0	0	2	0
UNICEF	47	36	17	24	29	11	1	0	0	1
UNITAR	13	19	9	10	3	9	0	0	1	0
UNHCR	45	47	23	9	18	28	0	0	4	10
UNJSPF	41	26	20	5	19	21	2	0	0	0
UNODC	42	38	26	11	16	18	0	0	0	9
UNOPS	55	37	15	14	36	23	3	0	1	0
UNRWA	77	67	51	38	18	26	1	1	7	2
UNU	27	17	15	8	12	7	0	0	0	2
UN-Women	25	30	21	25	4	5	0	0	0	0
ICTY	6	6	1	3	0	3	0	0	5	0
IRMCT	15	5	9	3	5	2	0	0	1	0
Total	**717**	**619**	**345**	**276**	**323**	**290**	**22**	**14**	**27**	**39**
Percentage			**48**	**45**	**45**	**47**	**3**	**2**	**4**	**6**

Source: Audit reports of the Board.

IV. Acknowledgement

115. 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*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
Chair of the Board of Auditors

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General
of the United Republic of Tanzania

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

24 July 2018

Annex I

Organizations

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

Annex II

Explanation of types of audit opinions

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

Note: "Emphasis of matter" is to draw users' attention to a matter presented or disclosed in the financial report that, in the auditor's judgement, is of such importance that it is fundamental to users' understanding of the financial report. "Other matters" is to draw attention to any other matter that is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.