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Proposed programme budget for 2023

Financial performance report on the programme budget for 2021

Nineteenth report of the Advisory Committee on Administrative and Budgetary Questions on the proposed programme budget for 2023

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the financial performance report of the Secretary-General on the programme budget for 2021 (A/77/347). The Advisory Committee received additional information and clarification from the representatives of the Secretary-General and the Audit Operations Committee of the Board of Auditors, concluding with written responses dated 10 November 2022.

2. The Advisory Committee recalls that, in the context of the management reform, the General Assembly, in its resolution 72/266 A, approved the proposed change from a biennial to an annual budget period on a trial basis, beginning with the programme budget for 2020. In the same resolution, the Assembly endorsed the recommendation of the Committee that the Secretary-General issue a separate budget performance report following the completion of a budget period, so that the information on the budget performance of the prior completed period would therefore be considered at the same time as proposals for the forthcoming budget period (A/72/7/Add.24, para. 58; see para. 62 below).

3. In its resolution 72/266 A, the General Assembly also decided to review the budget cycle at its seventy-seventh session, with a view to taking a final decision. The Advisory Committee notes that the report of the Secretary-General entitled "Shifting the management paradigm in the United Nations: review of changes to the budgetary cycle" (A/77/485 and A/77/485/Corr.1) is currently before the Assembly and that the comments and recommendations of the Committee will be contained in its related report. In the present report, the Committee considers the proposal of the Secretary-General to merge the contents of his report on the transfers between sections with the performance report of the programme budget (A/77/485, para. 28) (see paras. 67–74 below).

4. The Advisory Committee further recalls that the General Assembly, in its resolution 76/246 A, endorsed its comments and recommendations on the financial

performance report on the programme budget for 2020, which was the first performance report since the change to an annual budget period on a trial basis (A/76/7/Add.16). The financial performance report of the Secretary-General on the programme budget for 2021 (A/77/347) is therefore the second performance report since the change.

Impact of the pandemic and liquidity constraints on the implementation of the programme budget for 2021

5. Final expenditure for 2021 amounted to $3,017.9 million (including an additional expenditure of $17.5 million incurred in respect of commitment authorities for which no appropriations were approved), which was $206.8 million (6.4 per cent) less than the appropriation approved by the General Assembly (A/77/347, para. 2).

6. The Secretary-General reports that the continuation of the coronavirus disease (COVID-19) pandemic had an adverse impact on the implementation of the programme budget for 2021, resulting in the modification, postponement or cancellation of some planned activities (see para. 16 below). The impact of the pandemic by budget section is explained in section II.D of his report. It is also stated in the report that the continuation of the global pandemic resulted in an abnormally low level of consumption under hospitality, experts, travel, and supplies and materials, which was mainly attributable to the constraints affecting the normal functioning of the Organization (A/77/347, annex II).

7. The Secretary-General further reports that, in order to mitigate the risk of disruptions to operations due to unpaid assessments ($808 million) at the start of 2021 and lower-than-estimated collections ($199 million) in the first quarter of the year, the Organization had to maintain the cash conservation measures, including limiting the issuance of allotments in January 2021 to 50 per cent of the appropriation and imposing an overall expenditure ceiling of 90 per cent of the appropriation. Restrictive measures to preserve liquidity were gradually relaxed on the basis of an unusually large collection ($1 billion) at the end of April 2021. With the collection of an amount equivalent to 79.8 per cent of the year’s assessments by the end of June 2021, there was a relaxation of the hiring freeze from the second quarter of the year; however, the number of staff increased at a lower-than-anticipated pace, with a corresponding slow increase in post expenditures (ibid., para. 5) (see paras. 16–17 below).

8. According to the Secretary-General, the higher cash balances and the lower deficit for 2021, as shown in figure I in his report, reflected the improved payment pattern by Member States, the slower-than-expected growth in post expenditure despite the relaxation of the hiring freeze and the ongoing impact of the COVID-19 pandemic (ibid., para. 7).

9. Noting that the General Assembly decided to use $100 million of the unspent funds of 2021 to increase, on an exceptional basis and without setting a precedent, the Working Capital Fund (see para. 14 below), **the Advisory Committee trusts that the Secretary-General will provide an analysis of the impact of the increased Working Capital Fund on the liquidity management in the context of the next programme budget (see also A/77/574, para. 32).**

II. Expenditure sections

10. Final expenditure for 2021 amounted to $3,017,890,800 (or 93.6 per cent) against the total appropriations of $3,224,724,100 for the year (see resolutions 75/254 A–C and 75/253 B and C). The expenditure included additional spending (totalling $17,489,400), without appropriation, authorized by the General Assembly.

11. The additional spending of $17,489,400 authorized by the General Assembly without appropriation includes expenditure approved in: (a) resolution 75/255, in an amount of $8,323,500 relating to unforeseen and extraordinary expenses, concurred with by the Advisory Committee and certified by the Secretary-General, respectively; and (b) resolution 75/253 A, in an amount of $9,165,900 for subventions to the Extraordinary Chambers in the Courts of Cambodia and to the Residual Special Court for Sierra Leone. Detailed information is provided in paragraphs 20 to 24 and tables 5 and 6 of the report of the Secretary-General (A/77/347).

12. As reflected in table 3 of the report of the Secretary-General, the overall underexpenditure (appropriation surplus) amounted to $206,833,300 (or 6.4 per cent) for 2021 and, excluding the additional spending without appropriation, the balance amounted to $224,322,700 (or 7.0 per cent). Upon enquiry, the Advisory Committee received information on the unencumbered balances of the appropriations at the end of each financial period since the biennium 2012–2013 (see table 1).

Table 1
Unencumbered balances since the biennium 2012–2013
(Thousands of United States dollars)

	Appropriation	*Expenditure*	*Unencumbered balance*	*Unencumbered balance as percentage of appropriation*
Budget period	*(a)*	*(b)*	*(c)*	*(d)=(c)/(a)*
2012–2013	5 565 067.8	5 524 829.6	40 238.2	0.7
2014–2015	5 808 565.5	5 688 535.3	120 030.2	2.1
2016–2017	5 682 779.0	5 654 207.1	28 571.9	0.5
2018–2019	5 873 652.3	5 873 652.3	–	–
2020	3 073 830.5	3 015 940.3	57 890.2	1.9
2021	3 224 724.1	3 017 890.8	206 833.3	6.4

13. **The Advisory Committee notes that the overall underexpenditure of $206,833,300 (or 6.4 per cent) for 2021 was significantly higher compared with the underexpenditures at the end of each financial period since the biennium 2012–2013. The Committee recalls that the General Assembly noted the exceptional amount of unspent funds from the 2021 regular budget in its resolution 76/272.**

14. Of the overall appropriation surplus of $206,833,300 for 2021, the net surplus amounting to $178,876,700 is to be returned to Member States as a credit against the assessments for 2023, taking into account the cancellation of prior-period commitments ($88,253,500), offset by: (a) the increase in the Working Capital Fund ($100,000,000), on an exceptional basis, pursuant to General Assembly resolution 76/272[1] (see also para. 41 below); (b) the lower-than-approved income ($15,630,000); and (c) the unencumbered balance ($580,100) of the subvention to the Extraordinary Chambers in the Courts of Cambodia in 2020, which has already been returned to Member States in the context of General Assembly resolutions 76/247 A–C (A/77/347, table 1 and para. 52 (e); see also A/76/7/Add.16, para. 12).

[1] In the resolution, the General Assembly noted the exceptional amount of unspent funds from the 2021 regular budget to be credited to Member States, and decided to use $100 million of the unspent funds to increase, on an exceptional basis and without setting a precedent, the Working Capital Fund.

Variances

15. Variances by budget section and by object of expenditure are explained in section II.D and annex II, respectively, of the report of the Secretary-General (A/77/347; see also table 5 below).

Underexpenditure

16. In his report, the Secretary-General indicates that the overall underexpenditure (surplus) in the amount of $206,833,300 is driven mainly by underexpenditure under: (a) post resources ($77.3 million), reflecting mainly the higher-than-approved actual average vacancy rates for both Professional staff (an actual vacancy rate of 14.2 per cent compared with the approved vacancy rate of 9.1 per cent) and General Service staff (an actual vacancy rate of 9.4 per cent compared with the approved vacancy rate of 7.4 per cent); (b) other staff costs ($48.0 million), hospitality ($0.6 million), travel of representatives ($16.0 million), travel of staff ($9.5 million), and experts ($7.2 million), primarily owing to the continued impact of the COVID-19 pandemic on a number of planned meetings that were either modified, postponed or cancelled; (c) general operating expenses ($45.6 million), mainly attributable to the impact of the COVID-19-related restrictions on the operations of special political missions; and (d) supplies and materials ($15.1 million), mainly attributable to the lower utilization of office supplies and stationery, as the Organization continued remote working arrangements in 2021 owing to the continued impact of the COVID-19 pandemic (A/77/347, para. 10). Justifications for underexpenditure for section 22. Economic and social development in Western Asia ($12.4 million, or 22.7 per cent), and section 24, Human rights ($22.4 million, or 17.2 per cent), are provided in paragraphs 37 and 38 of the report.

17. Upon enquiry, the Advisory Committee was informed that, for post resources, the underexpenditure attributable to higher vacancy rates amounted to $63 million for 2021. The Committee requested and received an updated table on budgeted and actual post expenditures, showing that underexpenditure for post resources accounted for 5.5 per cent of the approved resources for 2021 (see table 2). The Committee was also provided with information on the budgeted and actual vacancy rates by section and category from 2017 to 2023. The Committee notes from the information provided that, of the 36 expenditure sections, only a few sections had lower-than-budgeted vacancy rates for 2021 for either or both the Professional and General Service categories, including sections 11, 26, 29A, 29B, 29C and 29F. In its first report on the proposed programme budget for 2023 (A/77/7, chap. I, para. 51), the Committee noted the lack of clarity and consistency in the application of vacancy rates in the budget sections. **The Advisory Committee continues to be of the view that budgeted vacancy rates should be realistic and based on the actual vacancy rates experienced during the previous periods (see also A/77/7, chap. I, para. 51).**

Table 2
Budgeted and actual post expenditure
(Thousands of United States dollars)

	Appropriation	*Expenditure*	*Variance*	*Percentage*
2018–2019	2 568 835.2	2 578 177.3	(9 342.1)	(0.4)
2020	1 329 441.2	1 309 887.0	19 554.2	1.5
2021	1 400 979.8	1 323 651.6	77 328.2	5.5

18. Upon enquiry, the Advisory Committee was also informed that, for the improvement of premises, the reason for the majority of the underexpenditure

($3.3 million) was due to the misalignment between expenditures and appropriations. The Secretary-General indicates that the Organization plans to align budget and expenditure lines for this item by 2024 or 2025 at the latest (A/77/347, annex II, para. 12). With respect to general temporary assistance positions, the Committee received a consolidated table by section with appropriations and expenditures. The Committee made further comments and recommendations on the use of general temporary assistance positions in its report on the financial reports and audited financial statements, and reports of the Board of Auditors for the period ended 31 December 2021 (A/77/574, paras. 46 and 48), as well as its related report on the administrative and programme budget implications arising from the recommendations and decisions contained in the report of the International Civil Service Commission for 2022 (A/77/7/Add.11, para. 10).

19. As for the total surplus of $63.8 million (or 8.7 per cent) for the special political missions budgeted under section 3, Political Affairs (A/77/347, para. 29), the Advisory Committee was informed, upon enquiry, that variance justifications at the level of individual missions were included in the financial performance report. Upon further clarification, it was indicated to the Committee that the threshold of 5 per cent was not applied to each individual special political mission. The materiality level of 5 per cent (threshold) used to explain variances in the financial performance report was applied to determine which budget sections and objects of expenditure had material variances requiring explanations. In addition, the financial performance report explained the drivers of any material over- or underexpenditure. For budget sections with more than one entity, information was provided for each of the entities (or missions) to the extent that they were one of the main contributors to the overall variance of the budget section. **The Advisory Committee is of the view that the threshold of 5 per cent for explanations of material variances between actual expenditures and appropriations should be applied to each of the field-based special political missions in future performance reports on the programme budget.**

Overexpenditure

20. The Secretary-General further indicates that expenditures for 2021 incurred under consultants ($8.3 million) and furniture and equipment ($22.3 million) exceeded the appropriation, owing mainly to the increased use of local consultants as part of the efforts to adjust programme delivery in the context of new demands related to the impact of the COVID-19 pandemic, and to the purchase of software licences, upgrades to the enterprise network and equipment to facilitate the uninterrupted operations of the Organization, including its remote working arrangements (ibid., para. 11).

21. For section 31, Jointly financed administrative activities, overexpenditure amounted to $1.1 million (or 16.0 per cent) due to higher-than-approved percentages for the United Nations share (ibid., para. 43). Upon enquiry, the Advisory Committee was informed that, in future, the Secretariat would use the same shares assumed when budgeting to charge the participating entities, starting with the programme budget for 2022. This would fully eliminate variances between the budgeted amount and the actual expenditure related to changes in the share of the costs of jointly financed activities.

Consultants

22. Upon enquiry regarding the indicated increase in the use of local consultants during 2021 (see para. 20 above), the Advisory Committee was informed that Umoja recorded and classified the expenditures based on their nature (i.e. consultants, travel, furniture and equipment); however, it did not systematically capture information such as the country of origin of consultants, which could be local, or from the region or

from a different international location. The Committee requested, but did not receive, a breakdown of expenditures for local versus international consultants, as the Committee was informed that such a breakdown could only be provided through a manual and labour-intensive review of thousands of transactions grouped under consultants, including purchase orders and underlying agreements, raised in 2021. **While acknowledging the increased employment of local consultants during the pandemic, the Advisory Committee trusts that information on overall expenditures for consultants will be included in future performance reports broken down by international versus national consultants.**

23. Upon request, the Advisory Committee received information on expenditures versus appropriations for consultants since 2018–2019 (see table 3). The Committee notes from the table that overexpeditures under consultants amounted to $5,765,600 and $8,306,000 for 2020 and 2021, respectively, and that for 2022, expenditure under consultants already amounted to 99 per cent of the appropriation as at 30 September, leading to potential overexpenditure by the end of 2022. The Committee notes from the report of the Board of Auditors that a total of 19 sections incurred $13 million in overexpenditure under consultants in 2021 and that 9 sections incurred overexpenditure for consultants for three consecutive years from 2019 to 2021 (A/77/5 (Vol. I), chap. II, paras. 107–114).

Table 3
Consultant expenditures against appropriations for 2018–2019 to 30 September 2022
(Thousands of United States dollars)

Budget period	*Appropriation* (a)	*Expenditure* (b)	*Surplus/(deficit)* (c)=(a)-(b)
2018–2019[a]	77 171.2	65 871.2	11 300.0
2020	21 706.5	27 472.1	(5 765.6)
2021	18 860.1	27 166.1	(8 306.0)
2022[b]	18 498.2	18 248.1	250.1

[a] Consultants and experts.
[b] As at 30 September 2022.

24. **The Advisory Committee notes with concern the trend of overexpenditure incurred under consultants for the 2020, 2021 and 2022 financial periods. The Committee further notes that the financial performance report of the Secretary-General provides neither sufficient information on the budget implementation under consultants (A/77/347, annex II, para. 5), nor justification for overexpenditure under 19 sections in 2021, nor for the trend of overexpenditures, including for the 9 sections with overexpenditures for three consecutive budget periods from 2019 to 2021. The Committee is of the view that such information and justification should be included in future performance reports of the Secretary-General (see also para. 65 below). The Committee concurs with the recommendation of the Board of Auditors that the Administration should request entities to monitor consultant expenditure funded through all resources, including the regular budget, other assessed and extrabudgetary resources, strengthen the long-term capability-building of internal staff and gradually reduce the reliance on consultants (see A/77/5 (Vol. I), chap. II, para. 114).** The Committee made further comments and recommendations on consultants and individual contractors in its report on the financial reports and audited financial statements, and reports of the Board of Auditors for the period ended 31 December 2021 (A/77/574, paras. 54–57).

Expenditure pattern

25. The Advisory Committee recalls that the Secretary-General, in his report for 2020, indicated that the pattern of lower expenditure experienced in 2020 was not expected to persist and was not to be construed as a predictor of future expenditure (A/76/347, para. 10). In his report for 2021, the Secretary-General again indicates that the pattern of expenditure experienced in 2021 is not expected to persist and therefore should not be an indicator of future expenditure volume or pattern (A/77/347, summary). The Committee requested an update on comparative information on expenditure for the first nine months of 2021 and 2022, by object of expenditure (see table 4; see also A/76/7/Add.16, table 5).

Table 4
Comparative expenditure information, January to September, 2021 and 2022
(Thousands of United States dollars)

	2021			*2022*		
	Appropriation	*Expenditure (January–September 2021)*	*Percentage*	*Appropriation*	*Expenditure (January–September 2022)*	*Percentage*
Posts	1 401 098.7	980 360.2	70	1 387 819.1	1 026 586.8	74
Other staff costs	660 383.6	441 308.3	67	588 177.5	498 900.3	85
Non-staff compensation	10 977.5	7 221.6	66	10 673.4	7 316.2	69
Hospitality	703.8	15.1	2	648.4	128.9	20
Consultants	18 860.1	17 845.5	95	18 498.2	18 248.1	99
Experts	17 106.7	8 755.5	51	18 128.4	12 636.4	70
Travel of representatives	25 213.6	5 817.5	23	27 005.8	15 916.3	59
Travel of staff	30 551.9	12 708.8	42	27 133.6	28 734.5	106
Contractual services	102 179.9	75 700.2	74	108 112.8	90 025.7	83
General operating expenses	308 401.4	206 048.0	67	285 092.4	221 839.6	78
Supplies and materials	23 728.5	4 456.1	19	16 434.6	15 423.1	94
Furniture and equipment	30 202.4	18 572.7	61	26 396.1	21 728.8	82
Improvement of premises	7 068.4	1 120.2	16	9 831.5	2 418.2	25
Grants and contributions	286 775.8	252 625.7	88	300 634.4	272 561.5	91
Other	301 471.8	218 727.4	73	297 064.8	235 443.6	79
Total	**3 224 724.1**	**2 251 282.8**	**70**	**3 121 651.0**	**2 467 908.1**	**79**

26. Upon enquiry regarding lessons learned for more realistic budgeting for the future, the Advisory Committee was informed that the Secretary-General had taken several steps towards making budget estimates more realistic based on lessons learned over the past three years, such as improved forecasting for common staff costs after a review (A/76/593, para. 20) and the increase of 1 percentage point in the vacancy rates in the proposed programme budget for 2023. Measures also included reduced requirements under travel of representatives and travel of staff (see para. 27 below), other staff costs, general operating expenses, and supplies and materials, in the context of the proposed programme budget for 2022, which were triggered by the lessons learned from the COVID-19 pandemic.

27. **While noting the increase in the overall budget implementation rates during the first nine months of 2022, the Advisory Committee is concerned about overexpenditure already incurred under travel of staff (106 per cent) as at**

30 September 2022, as well as an expenditure of 99 per cent under consultants as at the same date, which would lead to overexpenditure by the end of 2022. The Committee trusts that the lessons learned during the previous budget periods, including those from the COVID-19 pandemic (see also para. 24 above), will continue to be applied in the preparation of future proposed programme budgets.

Commitments

28. The total expenditure of $3,017.9 million for 2021 includes unliquidated commitments amounting to $148.7 million, or 4.6 per cent of the appropriation, at the end of 2021 (A/77/347, para. 18). Table 4 of the report of the Secretary-General contains information on the level of commitments at the end of each budget period since the biennium 2012–2013. **The Advisory Committee notes from the table that the commitment of 4.6 per cent for 2021, while lower than the 7.2 per cent commitment for 2020, is still higher compared with 2.9 per cent, 2.4 per cent, 2.8 per cent and 2.7 per cent for the prior four biennial financial periods from 2012–2013 to 2018–2019 (see also A/76/7/Add.16, para. 14).**

29. Upon enquiry, the Advisory Committee received a table on appropriation, expenditure, open commitments and cancellation of prior-period commitments for the past six budget periods (see table 5). **The Advisory Committee notes from table 5 that, for the programme budget for 2020, both the open commitments ($222.3 million, or 7.2 per cent) by the end of 2020 and the cancellation of prior-period commitments ($88.3 million, or 39.7 per cent) by the end of 2021 represented the highest since the 2012–2013 period. The Committee notes the negative impact of open commitments established at the end of a financial period on the return of credits to Member States. The Committee trusts that a table with information on the unliquidated commitments, disaggregated by budget section and object of expenditure, along with justifications, will be included in all future performance reports and be updated in the context of the proposed programme budgets.**

Table 5
Appropriation, expenditure, open commitments and cancelled prior-period commitments, 2012–2021
(Thousands of United States dollars)

				Open commitments at the end of the period		*Cancelled prior period commitments*	
	Appropriation	*Expenditure*	*Implementation rate*	*Amount*	*Percentage*	*Amount*	*Percentage*
Budget period	*(a)*	*(b)*	*(c)=(b)/(a)*	*(d)*	*(e)=(d)/(a)*	*(f)*	*(g)=(f)/(d)*
2012–2013	5 565 067.8	5 524 829.6	99.3	148 765.8	2.7	33 000.0	22.2
2014–2015	5 808 565.5	5 688 535.3	97.9	164 856.5	2.8	45 242.6	27.4
2016–2017	5 682 779.0	5 654 207.1	99.5	135 944.9	2.4	25 192.4	18.5
2018–2019	5 873 652.3	5 873 652.3	100.0	172 421.2	2.9	32 231.0	18.7
2020	3 073 830.5	3 015 940.3	98.1	222 260.3	7.2	88 253.5	39.7
2021	3 224 724.1	3 017 890.8	93.6	148 743.7	4.9	–	–

30. The Advisory Committee discussed the discrepancy of the reporting of unliquidated commitments in the financial performance report of the Secretary-General for 2020 compared with the audited financial statements for the period (A/76/7/Add.16, paras. 20–21). Upon enquiry, the Committee was informed that the amounts presented in the financial performance report for 2021 were in full alignment with the financial report and audited financial statements for the year ended 31 December 2021 (A/77/5 (Vol. I)). Upon request, the Committee received an updated table on the level of down payments of the commitments at the end of each budget period since 2014–2015 (see

table 6), showing that down payments accounted for 6 per cent of the overall commitments for 2021, the highest since 2014–2015. **The Advisory Committee trusts that information on down payments, as part of the commitments, will be included in future performance reports of the Secretary-General.**

Table 6
Level of commitments and down payment at the end of each budget period
(Thousands of United States dollars)

		Down payment at the end of the period	
	Commitments	*Down payment*	*Percentage*
Budget period	*(a)*	*(b)*	*(c)=(b)/(a)*
2014–2015	164 856.5	2 843.5	1.7
2016–2017	135 944.9	4 246.5	3.1
2018–2019	172 421.2	2 088.9	1.2
2020	222 260.3	2 625.6	1.2
2021	148 743.7	8 948.1	6.0

Special commitments

31. The Secretary-General indicates that no special funds commitments were raised for 2021, as the liquidity situation improved during the year (see A/77/347, annex III).

32. The Advisory Committee discussed the issue of the special funds commitments, in an amount of $116.7 million established in December 2020, in its report on the performance of the programme budget for 2020 (A/76/7/Add.16, paras. 15–19). According to the report of the Board of Auditors (A/77/5 (Vol. I), chap. II, para. 85), of the $116.7 million in special fund commitments of 2020, $23.1 million had been used and $75.8 million (65 per cent) had been cancelled, with a balance of $17.7 million as at 31 December 2021. Upon enquiry, the Committee was informed that, despite best efforts by programme managers, some challenges proved to be intractable and accomplishments fell short of the very best of intentions to serve and deliver; consequently, $75.8 million in commitments was cancelled for 2020. **The Advisory Committee notes the absence of information on the utilization of the special funds commitments established in December 2020 in the financial performance report of the Secretary-General on the programme budget for 2021. The Committee further notes that the performance report does not disclose information on the remaining balance of $17.7 million in special fund commitments for the 2020 period that was not cancelled by the end of the 2021 financial period.**

33. The Board of Auditors stated in its report that, in accordance with the Financial Regulations and Rules of the United Nations, appropriations should be available for commitments during the budget period to which they relate and remain available for the following 12 months (regulation 5.3),[2] and that the expired balance of the appropriations should be surrendered (A/77/5 (Vol. I), chap. II, para. 82). **Recalling financial regulation 5.3, the Advisory Committee points out that the remaining balance of $17.7 million of the $116.7 million in special commitments established for the programme budget for 2020 should have been included in the cancelled**

[2] Appropriations shall remain available for 12 months following the end of the budget period to which they relate to the extent that they are required to discharge commitments 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 should be surrendered.

prior-period obligations in the financial performance report of the programme budget for 2021, as part of the credit against assessments to Member States for 2023. The Committee stresses that the Financial Regulations and Rules should be strictly adhered to in budget implementation and management. The Committee therefore recommends that the amount of $17.7 million be returned as part of the credit against assessments to Member States for 2023.

34. In addition, the Board of Auditors reviewed the utilization of those special fund commitments on a sample basis, and noted that the Administration had transferred $18.6 million (part of the $116.7 million in the 2020 special fund commitments) from the 10UNA fund (i.e. regular budget fund) to the 10RCR fund (i.e. cost-recovery fund, grouped under common support services for segment reporting) to cover expenses such as vehicle and equipment procurement, construction in progress and consultant fees incurred by 24 entities from April to December 2021. The Board noted the following issues with the utilization of the special fund commitments transferred: (a) the United Nations Support Mission in Libya (UNSMIL) had acquired vehicles even though no vehicle acquisition was budgeted for 2020, leading to an excess holding of vehicles (exceeding the standard number of 34 vehicles by 74, or 218 per cent); (b) the Economic Commission for Africa and the Office of Information and Communications Technology had acquired information technology equipment, leading to overexpenditure and idle assets; and (c) the Department of Global Communications had utilized $71,888.8 in contracting consultants and experts, whereas there was no budget for employing consultants for the entity for 2020 (ibid., para. 88). **The Advisory Committee notes with concern the issues identified with the utilization of the special funds commitments and concurs with the recommendation of the Board that the Organization formulate additional criteria for future exceptional use of special commitments (see also A/77/5 (Vol. I), chap. II, para. 93, and A/77/574, para. 34).**

35. The Advisory Committee recalls that, while it acknowledged the liquidity constraint experienced by the Organization and the impact on its mandate delivery during the 2020 period, it noted that the report of the Secretary-General on the financial performance of the programme budget for 2020 did not disclose information on the establishment of the special commitments authorized at the end of 2020 without supporting documents (A/76/7/Add.16, paras. 16 and 19). **The Advisory Committee recommends that the General Assembly request the Secretary-General to include all relevant information on the establishment and utilization of commitments in future performance reports to improve transparency, accountability and oversight.**

36. Furthermore, the Board of Auditors noted that, on 31 December 2020, an amount of $28.7 million in the 10UNA fund had been transferred to the 10RCR fund (see also para. 34 above), of which $6.6 million was expensed by eight entities in 2021 for, among other things, equipment procurement, construction in progress and security services. The Board observed that the expenditure was not included in the proposed programme budget of any budget period, but was instead included in the entities' proposals that were approved by the Controller for the purposes of business continuity, in line with their mandates. The balance arising from the transfer in 2020 was $21.7 million as at 31 December 2021 (A/77/5 (Vol. I), chap. II, paras. 72–81). Upon enquiry, the Advisory Committee was informed that the balance of $21.7 million as at 31 December 2021 under the 10RCR fund was not included in the cancelled prior-period obligations reported in the financial performance report for 2021. It was indicated to the Committee that any unused portion of this amount would be returned by the end of 2023 as an offset against 2024 assessments to Member States.

37. **The Advisory Committee notes that, in accordance with financial regulation 5.3, the balance of $21.7 million as at 31 December 2021, which was transferred from the 10UNA fund to the 10RCR fund in December 2020 from the programme**

budget for 2020, should have been included in the cancelled prior-period obligations in the financial performance report of the programme budget for 2021 as part of the credit against assessments to Member States for 2023. The Committee further notes that the performance report of the Secretary-General on the programme budget for 2021 does not disclose related information, and trusts that clarification will be provided to the General Assembly during its consideration of the present report.

38. Upon enquiry, the Advisory Committee was also informed that there was a need to monitor and control the expenditure of the special fund commitments, and in this context the function of the 10RCR fund (see paras. 39–41 below), with its inbuilt system controls and workflows, served the critical purpose of ensuring that the process of committing and utilizing funds would flow in accordance with the established delegation of authority, respecting the established segregation of duties, certification and approval and all other normal internal control measures that govern operations.

10RCR fund management

39. The Advisory Committee further notes from the review of the 10RCR business transactions by the Board of Auditors that UNSMIL charged for services that were absorbed by the regular budget. From 2017 to 2021, UNSMIL charged various United Nations country teams, agencies, funds and programmes $14.8 million for the provision of services such as accommodation, security and aviation. However, the Board noted that associated costs for those services had already been covered by the regular budget for UNSMIL, which led to $14.8 million in 10RCR surplus for the Mission as at 31 December 2021 (which is part of the accumulated $448.5 million surplus of the cost-recovery fund) (see para. 41 below). The Board was concerned that charging for services already funded through the regular budget and the high surplus ratio of 10RCR businesses transactions might indicate excess charges or unreasonable charges for related services, which is not in full compliance with the principle of full cost recovery (see paras. 42 and 43 below). Furthermore, UNSMIL did not prepare any cost plan during the period 2018–2021 (A/77/5 (Vol. I), chap. II, paras. 39 (a), 40 and 66 (c)).

40. Upon enquiry, the Advisory Committee was informed by the Board of Auditors that, on the basis of the financial data obtained from Umoja, the total other revenue for UNSMIL was $14.8 million for the period from 2017 to 2021, while the expense was only $18,000 (owing to changes in foreign exchange rates unrelated to cost-recovery services). Since there were no extrabudgetary resources indicated in the proposed programme budgets, the Mission's cost-recovery services were fully funded by the regular budget and therefore there was no need to consume 10RCR revenue for expenditures relating to such services. The Committee was provided with an annual breakdown of the revenue from 2017 to 2021 (see table 7). The Committee was also informed by the Secretariat, upon enquiry, that any surplus amount from UNSMIL under the cost-recovery fund for the prior periods would be identified in early 2023 so that it could be captured in the financial statements and in the financial performance report for 2022 and would be returned to Member States as a credit against the assessments for 2024. **The Advisory Committee notes that the amount of $14.8 million charged by UNSMIL for the period from 2017 to 2021, as non-spendable revenue (see para. 42 (b) below), has already been identified by the Board of Auditors in its report for the period ended 31 December 2021 (A/77/5 (Vol. I)). The Committee does not therefore see justification for a further identification by the Secretariat in early 2023. The Committee recommends that the amount of $14.8 million be returned as part of the credit against assessments to Member States for 2023, rather than for 2024 (see para. 76 below).**

Table 7
Other revenue for the United Nations Support Mission in Libya, 2017–2021
(United States dollars)

	2017	*2018*	*2019*	*2020*	*2021*	*Total*
Other revenue	413 944	3 520 612	2 765 882	3 627 519	4 456 107	14 784 064

41. On a related matter, the Board of Auditors observed the inefficient utilization of the significant accumulated surplus of the cost-recovery fund (A/77/5 (Vol. I), chap. II, paras. 22–32 and 95–98). The Board noted that there was an overall upward trend of annual surplus for the 10RCR fund from 2016 to 2021, leading to an accumulated $448.5 million in surplus as at 31 December 2021, an increase of 129 per cent compared with the amount by the end of 2016. Considering that the Administration had established relevant guidelines on the overall fund balance of cost-recovery services (see also para. 43 below), the Board was of the view that the Administration should strengthen its monitoring of the efficiency of the resource utilization of service providers to ensure the fund balance for cost-recovery service was maintained at a reasonable level, especially in the context of funding shortages and the liquidity crisis experienced by the Organization. **The Advisory Committee recommends that the General Assembly request the Secretary-General to conduct a review of the accumulated $448.5 million in surplus of the cost-recovery fund (see paras. 39–40 above), with a view to maintaining a reasonable surplus, utilizing the resources efficiently and identifying credits for return to Member States (see also para. 14 above).** The Committee made comments and recommendation concerning matters identified under cost recovery in its report on the financial reports and audited financial statements, and reports of the Board of Auditors for the period ended 31 December 2021 (A/77/574, paras. 14, 19, 22 and 24).

Cost recovery

42. Upon enquiry, the Advisory Committee was informed that cost recovery was governed by financial rule 105.11[3] and regulation 3.3,[4] and that all cost recoveries would be reported in Umoja as revenue, as offsets to expenditure were not permitted under the International Public Sector Accounting Standards (IPSAS). Equally, no expenditure was possible without an allotment. The Committee was further informed of the following:

(a) Spendable revenue was defined as the revenue generated through cost recovery for services provided when there was no assessed budget allotted to the service provider. Most operational cost recovery revenue would be "spendable" and

[3] (a) Management and other support services may be provided to Governments, specialized agencies and other international and intergovernmental organizations or in support of activities financed from trust funds or special accounts on a reimbursable, reciprocal or other basis consistent with the policies, aims and activities of the United Nations, with the approval of the Under-Secretary-General for Management; and (b) each management and support services arrangement shall be covered by a written agreement between the United Nations and the entity on whose behalf the services are to be provided. Such agreements shall, inter alia, specify the services which the United Nations is to provide in return for full reimbursement to the United Nations of any costs incurred by it in providing those services.

[4] Member States' assessments shall be offset in accordance with regulation 3.2 by net revenue from the following revenue categories: (a) revenue-producing activities; (b) investment revenue; (c) services rendered; (d) contributions from new Member States in accordance with regulation 3.8 and non-member States in accordance with regulation 3.9; (e) other/miscellaneous revenue, including revenue from rental of office premises, and unspecified contributions in accordance with regulation 3.14; and (f) any other revenue attributable to Member States.

would be allotted back to service providers to cover associated expenses. In principle, these expenses must be incurred in the areas for which the relevant costs were charged. The Committee was provided with information on spendable cost revenue by business area, as the cost recovery process tracked information by business area and therefore information by section was not readily available;

(b) Non-spendable revenue was defined as the revenue generated through cost-recovery mechanisms for services provided when there was an assessed budget allotted to the service provider, and was presented under the non-spendable portion of income section 2 and income section 3. Non-spendable revenue was passed back to Member States (e.g. commercial activities under income section 3 or rental income) in accordance with financial regulation 3.3.

43. In its first report on the proposed programme budget for 2023, the Advisory Committee noted that despite the promulgation of a new cost recovery policy in December 2021, different approaches to cost recovery remained prevalent. The Committee expressed the view that the Secretary-General would ensure the deployment of a standardized approach to cost recovery across relevant budget sections, as appropriate, based on realistic cost rates, performance and workload indicators and best practices (A/77/7, chap. I, para. 76). **The Advisory Committee recalls that it recommended, in its first report on the proposed programme budget for 2023, currently before the General Assembly, that the Assembly request the Secretary-General to include detailed information on the amounts recovered, separately from voluntary contributions, including by type and service under the relevant budget section, along with consolidated overall figures, in the introduction of future budget submissions (see A/77/7, chap. I, para. 76).**

Effect of forward purchasing of currencies

44. The Secretary-General indicates that the General Assembly, in section X of its resolution 67/246, authorized him, from 1 January 2013, to utilize forward purchasing to protect the United Nations against exchange rate fluctuations, taking into account the findings presented in the second performance report of the Secretary-General on the programme budget for the biennium 2010–2011 (A/66/578 and A/66/578/Corr.1), and keeping the transaction costs as low as possible. In section IX of its resolution 69/274 A, the Assembly decided to use forward exchange rates in preparing future budget estimates, commencing with the proposed programme budget for the biennium 2016–2017 (A/77/347, para. 12).

45. The Secretary-General further indicates that the forward purchasing of foreign currency provides budgetary certainty to entities that enter into this type of contract, as it predefines the price of foreign currency to be purchased in the future, and that it entails minimal transactional costs. Currently, forward purchasing of foreign currencies is limited to the Swiss franc and the euro (ibid., para. 13).

46. The Secretary-General reports that during 2021, the Organization purchased 327.6 million Swiss francs and 91.0 million euros at predefined rates of exchange against the United States dollar under forward contract arrangements. The strengthening of the United States dollar against the Swiss franc and the euro in 2021 resulted in a negative average difference between the contracted forward rates and the United Nations operational rates of exchange, with a total realized foreign exchange loss of $9.4 million ($7.3 million for the Swiss franc and $2.1 million for the euro) from the forward purchasing of Swiss francs and euros for 2021 (ibid., paras. 15–16 and figures II and III).

47. Upon enquiry, the Advisory Committee received information on the net differences between rates of exchange arising from forward purchasing of foreign currencies by budget period since 2014–2015 (see table 8). The Committee was informed that foreign

exchange positive differences (gains) or negative differences (losses) from forward purchasing of foreign currencies resulted from the differences between the contracted forward rates and the United Nations operational rates of exchange on the settlement dates. The recognition of such gains or losses was in accordance with IPSAS. The Committee was also provided with information on forward purchasing contracts and options contracts, which are common tools used for currency risk hedging.

Table 8
Net differences between rates of exchange arising from forward purchasing of foreign currencies by budget period
(Millions of United States dollars)

Budget period	*2014–2015*	*2016–2017*	*2018–2019*	*2020*	*2021*
Amount	7.1	1.7	(26.7)	15.1	(9.4)

48. The Advisory Committee recalls that the Board of Auditors, on a sample basis, reviewed the usage pattern of seven currencies (including the two hedged currencies, namely, the euro and the Swiss franc) according to the purchasing amount in 2019, 2020 and 2021, and noted that some currencies had been paid in a relatively steady pattern, such as the Kenya shilling and the Thai baht. The Board was concerned that the current hedging strategy on limited currencies might lead to potential foreign exchange losses, especially for those currencies used in large and steady amounts and that experience more fluctuation in exchange rates (A/77/5 (Vol. I), chap. II, paras. 175–178). Upon enquiry, the Committee was informed that fluctuations of the exchange rates of the West African CFA franc, the Kenya shilling and the Thai baht to the United States dollar had reached as much as 15 per cent, 11 per cent and 14 per cent, respectively, since 2020, while the exchange rate fluctuations of the two hedged currencies (the euro and the Swiss franc) both remained at 12 per cent, which was lower than that of most of the other unhedged currencies. The Board was therefore concerned that the lack of a hedging strategy on currencies that were paid largely in absolute amounts, or at a steady payment rate for years, would lead to a potential loss in foreign exchange, especially given that their exchange rates fluctuated more compared with the euro and the Swiss franc.

49. **While noting that gains and losses may arise from the practice of forward purchases, the Advisory Committee recalls that the main benefit to be derived from using forward rates is the predictability that they provide in the budget process (see A/76/7/Add.16, para. 25, A/74/583, para. 24, A/72/647, para. 16, and A/70/619, para. 11). Furthermore, the Committee recalls the recommendation of the Board of Auditors that the Administration continue its periodic review of historical purchasing patterns of relevant currencies under the regular budget and extrabudgetary resources and consider expanding the hedging scope for those currencies associated with a high foreign exchange risk (see A/77/5 (Vol. I), chap. II, para. 178). The Committee trusts that the findings of such a review by the Secretariat will be provided in the performance report on the programme budget for 2022, including information and an analysis on various possible options for currency hedging.**

III. Income sections

50. Table 7 of the report of the Secretary-General provides a summary of the approved estimates and actual income under income sections, with the actual income totalling $286.9 million for 2021, reflecting $15.6 million (or 5.2 per cent) less than

the approved estimates. The lower-than-projected income is attributable to decreases in income from: (a) staff assessment ($12.3 million), as a result of lower post expenditure, mainly due to the higher-than-approved vacancy rates resulting from the continued impact of the hiring freeze, which was maintained until the second quarter of 2021; and (b) services to the public ($10.0 million), resulting from the combined effect of a net decrease in gross revenue ($12.3 million) and a net decrease in total expenditure ($2.3 million), owing mainly to disruptions imposed by the COVID-19 pandemic; offset in part by an increase in income from general income ($6.7 million, including higher-than-projected bank interest) (A/77/347, paras. 45–49).

51. Upon enquiry, the Advisory Committee was informed that the expenditure for staff assessment was highly correlated with expenditures for staff salaries and that a breakdown by section was not readily available, as expenditures were automatically consolidated and grouped under section 36, Staff assessment, while an equivalent amount was recoded under income section 1, Income from staff assessment.

52. Bank interest amounted to $3.4 million for 2021, while no such income was projected for the period (ibid., para. 47). The Advisory Committee recalls that, in response to its recommendation endorsed by the General Assembly in its resolution 76/246 A (A/76/7/Add.16, para. 28), the proposed programme budget for 2023 reflects projected interest income in an amount of $2.7 million, based on an average positive cash balance of $360 million and a higher interest rate environment for 2023 (A/77/6 (Income sect. 2), para. IS2.4).

IV. Budgetary process and the proposal to merge reports

Changes in the budgetary process

53. During its consideration of the financial performance reports on the programme budget for 2020 and 2021 since the introduction of an annual budget on a trial basis, the Advisory Committee has noted a number of issues relating to the changes in the budgetary process, which are discussed below.

Submission of reports and sequencing

54. Concerning the budgetary process, the Advisory Committee recalls that, under the biennial programme budget, the Secretary-General, in his second performance report, would present the estimated final expenditures, based on the experience of 21 months of the 24-month budget period, to the General Assembly for its decision on the final appropriation during the second year of the biennium. Subsequently, after the close of the budget period, the final actual expenditures would be presented to the Committee through the report on the transfers between budget sections (A/76/7/Add.16, para. 34). However, with the annual budget on a trial basis, the only performance report for an annual budget is submitted in September[5] of the year following the completion of the budget period, and after the submission of the report of the Secretary-General on the proposed transfers between sections for the prior budget period in April or May.[6]

55. Upon enquiry, the Advisory Committee was informed that, according to regulation 6.2 and rule 106.1 (a) of the Financial Regulations and Rules, the financial statements for the programme budget reported in Volume I were to be submitted by

[5] The reports of the Secretary-General on the financial performance reports on the programme budgets for 2020 and 2021 were dated 24 September 2021 and 16 September 2022, respectively (see A/76/347 and A/77/347).

[6] The reports of the Secretary-General on the proposed transfers between sections for the 2020 and 2021 budget periods were dated 23 April 2021 and 11 May 2022, respectively.

31 March each year to the Board of Auditors. The audit was to be completed and approved by July of that year. During the annual budget cycle, the reporting sequence was as follows: the financial statements were to be submitted to the Board of Auditors by 31 March; the report of the Secretary-General on the proposed transfers between sections might be submitted later in April; and the financial performance report was likely to be published in late September (see also para. 61 below).

Final budget of an annual budget period

56. Consequent to the above changes in the budgetary process, the Advisory Committee has raised the issue as to what constitutes the final budget of an annual budget period. The Committee recalls that the financial performance report of the Secretary-General on the programme budget for 2020 (A/76/347) considered the amount after transfers between sections, as concurred with by the Committee, to be the final budget of the period, which was not approved by the General Assembly (A/76/7/Add.16, para. 34). Upon enquiry, the Committee was informed that, for the programme budget for 2021, the appropriations totalling $3,224.7 million, which were approved by the Assembly in its resolutions 75/254 A–C, 75/253 B and 75/253 C, constituted the final appropriation for 2021. However, the Committee notes from the audited financial statements for the year ended 31 December 2021 of the report of the Board of Auditors (A/77/5 (Vol. I)) that the statement of comparison of budget and actual amounts (statement V) presented both the original budget (appropriations approved by the Assembly) and the final budget (amounts reflecting the transfers between sections) for 2021.

57. Upon enquiry, the Advisory Committee was informed that, in accordance with IPSAS 24: Presentation of budget information in financial statements, when the final and original budgets were different, the reporting of the budgetary information in the financial statements required the presentation of both. Owing to the transfers between sections, the distribution of the budget by section, which would be different from the budget originally approved by the General Assembly, would need to be presented in the financial statements as the final budget, in accordance with IPSAS 24. In addition, this would require the explanation of any material variance between the original and final budget, and between the final budget and actual expenditures. The Committee was informed, however, that, in line with the endorsement of the Assembly concerning its recommendation on comparing expenditures with the appropriations approved by the Assembly in the financial performance report (see paras. 68 and 74 below), statement V of the audited financial statements could be updated to present information on the expenditure and variances against the appropriations approved by the Assembly, eliminating the need for final budget information, which would require review and concurrence by the Committee. The Committee sought clarification on the need to report a final budget (transferred amounts) in accordance with IPSAS 24, as indicated by the Secretariat. The Committee also notes that statement V for the period ended 31 December 2021 continued to present a final budget (reflecting amounts after the transfers) following the endorsement of its recommendation by the Assembly. **The Advisory Committee notes the lack of clarity with respect to what constitutes the final budget of an annual budget period. The Committee further notes the lack of clarity on the final budget reporting requirements in the financial statements under IPSAS and trusts that clarification will be provided to the General Assembly during its consideration of the present report.**

58. Furthermore, the Advisory Committee has noted scenarios in which additional resource requirements may arise and require additional appropriation for an annual budget, which would have an impact on the overall level of the programme budget of a given period. For example, the Secretary-General may seek an additional

appropriation for overexpenditure under post resources for an annual budget.[7] Another case in point is the resource requirements for 2022 for the United Nations Assistance Mission in Afghanistan (authorization of commitments in an amount of $107,636,800), for which the General Assembly has yet to approve an appropriation at the main part of its seventy-seventh session (A/77/7/Add.1, para. 11). **The Advisory Committee reiterates that in cases of overexpenditure and the need for additional appropriation, the General Assembly will be requested to approve what would constitute the final budget of an annual programme budget (see A/76/7/Add.16, para. 37).**

59. **The Advisory Committee is of the view that, subject to a decision by the General Assembly on the review of changes to the budgetary cycle (see para. 3 above), more clarification is also required for the final budget approval process, the timing of the submissions and the types of the related reports (see paras. 62 and 74 below).**

60. **The Advisory Committee recalls that, in its resolution 72/266 A, the General Assembly reaffirmed that no changes to the budget methodology, established budgetary procedures and practices or the financial regulations may be implemented without prior review and approval by the Assembly in accordance with established budgetary procedures.**

Submission of the performance report

61. Upon enquiry regarding the timing of the submission of the performance report of the annual programme budget late in September 2021 and 2022, rather than earlier to facilitate its review of the proposed programme budget (see para. 2 above), the Advisory Committee was informed that, given that the closing of financial accounts takes place at the end of March, the financial performance report could, in theory, be produced in April or May; however, the Secretariat dedicated all its capacity to the finalization of the proposed programme budget during the period from March to May and to the servicing of the meetings of the Advisory Committee and the Committee for Programme and Coordination from May through July. Therefore, the financial performance report of the Secretary-General was finalized in September in time for the consideration of the General Assembly at its main session.

62. The Advisory Committee recalls that, in the context of the management reform, it was indicated that the reorganization of the former Department of Management into the new Department of Management Strategy, Policy and Compliance would provide more effective and efficient delivery of functions within the Office of Finance and Budget (A/72/492/Add.2, para. 79). In addition, 29 posts were approved by the General Assembly in its resolution 72/266 B for the new Department in the context of the management reform (A/74/7, para. VIII.6). **Subject to a decision by the General Assembly on the review of changes to the budgetary cycle (see para. 3 above), the Advisory Committee recommends that the Assembly request the Secretary-General to submit the annual performance report within the existing capacity during April or May to facilitate its review of the proposed programme budget prior to the main session of the Assembly in September (see para. 74 below).**

[7] In his report on the management reform, the Secretary-General indicated that if final budget expenditures should exceed the annual budget as a result of overexpenditure under post resources, the Secretary-General, after taking into consideration the final overall programme expenditures and savings from the cancellation of prior-period obligations, would seek an additional appropriation, in accordance with the staffing table as approved by the General Assembly and the post-related actual expenditures (A/72/492/Add.1, para. 29).

Presentation of the performance report

63. In its previous report, the Advisory Committee discussed the presentation of the previous performance report of the Secretary-General (A/76/7/Add.16, para. 39). Upon enquiry regarding the differences between a budget performance report and a financial performance report from the perspective of the Secretariat (see para. 2 above), the Committee was informed that, subsequent to the decision of the General Assembly that the budget should consist of three parts[8] in its resolution 72/266 A, the programme performance information was already included in the respective proposed programme budget fascicles, together with the programme plans, in part II of the proposed programme budget. The renaming of the financial performance report as a budget performance report would imply that scope of the financial performance report covered all three parts of the budget, while in reality it was limited to the financial aspects of the budget that comprised part III of the programme budget. As for the title of the report of the Secretary-General on the proposed transfers, namely, "Budget performance in respect of the budget period 2021: proposed transfers between sections of the programme budget", the Committee was informed that the title of that report had not been updated following the adoption of resolution 72/226 A. In addition, the title of the report on the transfers included two elements, and while the first element was broader, when presented in conjunction with the second part of the title it was clear that performance related to the post and non-post resource requirements of the budget. It was indicated to the Committee that, to improve clarity and increase consistency, it might be desirable to align the titles of the reports to better reflect their scope.

64. The Advisory Committee recalls that the General Assembly, in its resolution 76/246 A, endorsed its conclusions and recommendations contained in its report on the performance of the programme budget for 2020 (A/76/7/Add.16). With regard to the impact of all measures put in place to address the liquidity challenges, including disaggregated information by budget section and object of expenditure (ibid., para. 9), the Committee was informed that disaggregating that information by section and object expenditure was not possible without a new activity-based budgeting and costing system, which would allow the allocation of budget and expenditure to different factors (e.g. COVID-19, liquidity, others) and the presentation of such disaggregated information. With regard to information on budget and actual expenditures for after-service health insurance and security operations and services (ibid., para. 38), the Committee notes that the related information, as requested by the Assembly, was not provided in the financial performance report for 2021. **The Advisory Committee reiterates that the information on budgeted and actual expenditures for after-service health insurance and security operations and services, including the explanation of variances, should be provided in future performance reports (see also A/76/7/Add.16, para. 38).**

65. **Overall, the Advisory Committee is of the view that the performance report of the Secretary-General should be enhanced to provide more comprehensive information and justification for the budget implementation and management by section and object of expenditure, as illustrated by its comments and recommendations contained in paragraphs 19, 22, 24, 29, 30, 32, 35, 37 and 64 above. Moreover, the Committee recalls that, in its consideration of the report of the Secretary-General entitled "Contingency fund: consolidated statement of programme budget implications and revised estimates" (A/C.5/76/22), it noted**

[8] Part I, the plan outline, which endorses the long-term priorities and the objectives of the Organization; part II, the programme plan for programmes and subprogrammes and programme performance information; and part III, the post and non-post resource requirements for the programmes and subprogrammes.

the need for reporting on the updated status of charges against the contingency fund (A/76/7/Add.31, paras. 5–7). The Committee is therefore of the view that a table or annex detailing all charges against the contingency fund for a performance period, with information and explanations, should be included in future performance reports of the Secretary-General with a view to providing comprehensive information on the performance of the programme budget.

66. **In addition, the Advisory Committee recalls that it made the recommendation in its first report on the proposed programme budget for 2023, currently before the General Assembly, that efforts should be made to systematically review the actual impact of recosting compared with the estimated impact and recommended that the Assembly request the Secretary-General to provide consolidated information on this review in the context of future performance and programme budget reports (see A/77/7, chap. I, para. 25).**

Proposal to merge the reports on the transfers between sections and the financial performance

Transfers between budget sections

67. In its resolution 75/254 A–C on the programme budget for 2021, the General Assembly resolved that, for 2021, the Secretary-General should be authorized to transfer credits between sections of the budget, with the concurrence of the Advisory Committee.

68. In its report on the financial performance report on the programme budget for 2020, the Advisory Committee expressed the view that the performance report of the Secretary-General should continue to reflect expenditures and variances against appropriations approved by the General Assembly, which should form the basis for the report of the Secretary-General on the proposed transfers between budget sections, as well as any post-related overexpenditure and additional appropriation, if so required (A/76/7/Add.16, para. 35). The Assembly, in its resolution 76/246 A, endorsed the recommendation of the Committee.

69. The Advisory Committee recalls that it enquired as to the possibility of considering the report of the Secretary-General on the proposed transfers in the context of the performance report, and that the Committee was informed at that time that the simultaneous consideration of the two reports would require either pushing the report on proposed transfers between sections to a later date or bringing the performance report to an earlier date (see para. 61 above). The Committee expressed the view at the time that further clarifications on the potential sequencing of the performance report and the report on the transfers between budget sections were required (A/76/7/Add.16, para. 36).

70. As reflected in paragraphs 54 and 55 above, with the annual budget on a trial basis, the financial performance report of the Secretary-General is submitted in September after the submission of his report on the proposed transfers between sections in April or May in the year after the completion of the budget period. Upon enquiry as to the potential impact of non-concurrence by the Advisory Committee with the Secretary-General’s proposals for the transfers between budget sections, the Committee was informed that, in such a scenario, the Committee could refer the matter to the General Assembly, along with its recommendations.

71. Furthermore, during its consideration of the report of the Secretary-General on the proposed transfers between sections for the programme budget for 2021 in May 2022, the Advisory Committee was informed that the Secretariat could consider merging the report on transfers between sections and the financial performance report into a combined report in time for consideration by the General Assembly at its main

session. The Committee was further informed that the report on transfers between sections was required to be based on actual expenditures, which became available only after the closure of the financial period on 31 March of the following year. Accordingly, the reports on transfers between sections had been consistently prepared and submitted for the concurrence of the Advisory Committee after the finalization of the financial statements. The Committee indicated in June 2022 that it intended to consider further the possibility of merging the report on transfers between sections and the financial performance report in the context of its review of the financial performance report for 2021.

72. In his report entitled "Shifting the management paradigm in the United Nations: review of changes to the budgetary cycle", the Secretary-General indicates that, in terms of documentation, there is additional room for the streamlining and merging of the content of the report on transfers between sections, for which the Secretariat seeks the concurrence of the Advisory Committee, and the financial performance report, given that both reports provide information on the concluded budget period. According to the Secretary-General, issuing the combined financial performance report in September each year would further streamline the budgetary process (A/77/485, para. 28).

73. Upon enquiry, the Advisory Committee was informed that, following the endorsement by the General Assembly, in its resolution 76/246 A, of paragraph 35 of the Committee's report on the financial performance report for 2020 (A/76/7/Add.16) (see para. 68 above), the financial performance report for 2021 (A/77/347), issued in September 2022, used the same baseline for comparison as the report on transfers between sections (issued in May 2022), hence comparing actual expenditures and appropriations. Therefore, the financial performance report for 2021 repeated some of the variance justifications, for the consideration of the Assembly, that had already been provided in the report on proposed transfers between sections. It was indicated to the Committee that issuing a combined financial performance report by merging the two reports in September, in time for the consideration by the Assembly, could be considered as an option to make the budgetary process more efficient. The Committee was further informed that, as the "final budget" after any transfers between sections would not be used as the basis for comparison against expenditures, it would create an opportunity to: (a) discontinue the report on transfers between sections and the related concurrence of the Committee with those transfers; and (b) discontinue the inclusion of a "final budget" after any transfers in the financial statements and in the financial performance report (see also para. 57 above). It was also indicated to the Committee that this update would result in the streamlining of statement V and therefore reduce the workload related to the preparation and audit of the financial statements.

74. **Taking into account the matters concerning the budgetary process and the approval of the General Assembly discussed above, and noting that the reports of the Secretary-General on the transfers between sections and the performance of the programme budget contain some of the same justifications for variances of final expenditures against the appropriations of an annual budget, the Advisory Committee sees the merits of combining the two reports for the consideration of the Assembly, subject to a decision by the Assembly on the review of changes to the budgetary cycle (see para. 3 above). Moreover, the Committee is of the view that such a report should contain more comprehensive information (see paras. 65–66 above) and be submitted in April or May following the submission of the financial statements as at 31 March, to facilitate the review of the proposed programme budget by the Committee during its second session starting in May.**

V. Conclusions

75. Actions to be taken by the General Assembly are set out in paragraphs 51 and 52 of the report of the Secretary-General (A/77/347).

76. **Subject to its comments and recommendations above, the Advisory Committee recommends that the General Assembly: (a) take note of the report of the Secretary-General, including the final expenditure for 2021 in the amount of $3,017,890,800 and the actual income for 2021 in the amount of $286,980,000; (b) approve the return of a net surplus of $178,876,700 in 2021 as a credit against assessments to Member States for 2023, as reflected in the financial performance report of the Secretary-General; and (c) approve the return of the balance in the amount of $17,738,900 of the special fund commitments of the programme budget for 2020, as well as the amount of $14,766,100 from cost recovery by UNSMIL, as credits against assessments to Member States for 2023 (see paras. 33 and 40 above).**