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

Financial reports and audited financial statements, and reports of the Board of Auditors for the period ended 31 December 2022

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered 20 reports in connection with the financial reports and audited financial statements, and reports of the Board of Auditors for the period ended 31 December 2022, as follows:

(a) Concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors for the annual financial period 2022;

(b) Seventeen financial reports and audited financial statements and reports of the Board of Auditors for the financial period ended 31 December 2022 pertaining to the audited entities;[1]

(c) Two reports of the Secretary-General on the implementation of the recommendations of the Board of Auditors contained in its reports for the year ended 31 December 2022 on the United Nations and on the United Nations funds and programmes.

A list of the reports considered by the Advisory Committee is annexed to the present report.

[1] The operations of the United Nations as reported in volume I, the International Residual Mechanism for Criminal Tribunals, the International Trade Centre (ITC), the Office of the United Nations High Commissioner for Refugees (UNHCR), the United Nations Capital Development Fund, the United Nations Children's Fund (UNICEF), the United Nations Development Programme (UNDP), the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), the United Nations Environment Programme (UNEP), the United Nations Human Settlements Programme (UN-Habitat), the United Nations Institute for Training and Research (UNITAR), the United Nations Joint Staff Pension Fund, the United Nations Office for Project Services (UNOPS), the United Nations Office on Drugs and Crime (UNODC), the United Nations Population Fund (UNFPA), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and the United Nations University (UNU).

2. The Advisory Committee reflected its comments and recommendations on certain topics in separate reports, including its report on the financial performance report on the programme budget for 2022 (A/78/330). The Committee considered the report of the Board of Auditors on the United Nations peacekeeping operations for the period from 1 July 2021 to 30 June 2022 in a dedicated report (A/77/802). In addition, key findings and recommendations of the Board on the United Nations Joint Staff Pension Fund contained in its report on the Fund (A/78/5/Add.16) are discussed in the related report of the Committee.

3. During its consideration of the reports, the Advisory Committee met with members of the Audit Operations Committee of the Board, who provided additional information and clarification, concluding with written responses received on 10 October 2023. The Committee also met with representatives of the Secretary-General, who provided additional information and clarification on the status of implementation of the Board's recommendations, concluding with written responses received on 27 October 2023.

4. Upon enquiry as to the modality of its audits, the Advisory Committee was informed by the Board that it believed that in-person review or auditing was important to achieve a better audit and that it tried all ways to conduct physical audits. After the travel constraints were lifted in 2022, it conducted nearly all the final audits through field visits, although a few entities, including three special political missions, were audited remotely owing to security reasons.

5. In its concise summary of its principal findings, conclusions and recommendations, the Board included a new section on financial and budget management (A/78/215, sect. IV), given its significance for the delivery of the mandates and the stewardship of the resources of the United Nations entities (A/78/215, paras. 211–212; see sect. III.A.7 below).

6. **The Advisory Committee commends the Board of Auditors for the continued high quality of its reports, and expresses its appreciation for the valuable cross-cutting information contained in the concise summary and the inclusion of a dedicated section on financial and budget management (see also A/77/574, para. 6).**

II. Audit opinions of the Board of Auditors

7. As in previous years, the Board of Auditors issued unqualified audit opinions for all audited entities. **The Advisory Committee notes the fact that all entities under review have again received unqualified audit opinions from the Board of Auditors (see also A/77/574, para. 7).**

III. Major findings of the Board of Auditors

A. Financial and budgetary matters

1. Financial situation of the audited entities

8. In its concise summary, the Board notes that, of the 17 audited entities,[2] eight had concluded the financial year with a surplus, while nine had reported a deficit. Among those nine entities, the International Residual Mechanism for Criminal

[2] The United Nations Joint Staff Pension Fund is not included because it follows International Accounting Standard 26 and the International Public Sector Accounting Standards (IPSAS) for financial reporting purposes.

Tribunals recorded a deficit for the fourth consecutive financial year, while seven entities (the United Nations as reported in volume I, ITC, UNDP, UN-Habitat, UNRWA, UNOPS and UNU) recorded a surplus the preceding year. Furthermore, 15 audited entities showed positive net assets and two (ITC and UNRWA) showed negative net assets for the fourth consecutive year, although both showed an increase compared with the previous year (A/78/215, paras. 12 and 15). **The Advisory Committee notes that ITC and UNRWA showed negative net assets for the fourth consecutive year, and trusts that more efforts will be made to improve their financial situation.**

9. The Board indicates that ratio analysis provides an assessment of financial sustainability and liquidity across United Nations entities, and four main ratios are discussed in its report: the solvency ratio (total assets to total liabilities), the current ratio (current assets to current liabilities), the quick ratio (cash + short-term investments + accounts receivable to current liabilities) and the cash ratio (cash + short-term investments to current liabilities). In general, a ratio of 1 is considered to be a sound indicator of financial sustainability and/or liquidity and, in general, the financial position of all entities remained at least sufficient. The liquidity ratios were comfortably high for most of the entities and, in the case of those entities for which the ratios were near or below 1, there was no immediate threat to their solvency. A solvency ratio above 1 indicates an entity's ability to meet its overall obligations. Among the 17 entities, two had a ratio below 1 (UNRWA, at 0.99; and ITC, at 0.98). The Board notes that even though the ratios in general showed sufficient solvency and the liquidity ratios were sufficient (with the exception of the United Nations peacekeeping operations), liquidity trends should be constantly monitored in order to manage liquidity risks (A/78/215, paras. 18–21 and 25).

10. The Board indicates that the total revenue for the operations of the United Nations as reported in volume I for the year 2022 amounted to $7.35 billion, down slightly from $7.55 billion in 2021, due mainly to the decrease of $0.41 billion in voluntary contributions. The total amount of expenses was $7.71 billion in 2022, an increase of 15 per cent, compared with $6.68 billion in 2021, driven by a $0.63 billion increase in grants and other transfers, and a 27 per cent increase in expenses related to travelling and other operating expenses owing to the recovery from the coronavirus disease (COVID-19) pandemic (A/78/5 (Vol. I), para. 14).

11. **The Advisory Committee notes the findings of the Board of Auditors that the overall financial position of the audited entities was sufficient as at 31 December 2022 and encourages the Board to continue to include comparative data and analysis in its future reports (see also A/77/574, para. 12).**

2. Liquidity management

12. Concerning the operations of the United Nations as reported in volume I, the Board indicates that the overall financial situation for the year 2022 was relatively healthy. For the regular budget and related funds, the cash ratio was 0.26, 0.76 and 0.69 at the end of 2020, 2021 and 2022, respectively, indicating a relatively good liquidity situation, but periodic cash shortages still existed. The regular budget continued to borrow from the Working Capital Fund during 2022 owing to the periodic cash shortages. At the end of 2022, there were no borrowings from the Working Capital Fund, the United Nations Special Account or closed peacekeeping missions (A/78/5 (Vol. I), summary). The Advisory Committee discusses matters related to liquidity in its report on the financial performance report on the programme budget for 2022.

3. Issues related to cost recovery

13. With respect to the operations of the United Nations as reported in volume I, in response to the request of the Advisory Committee (see A/77/574, paras. 14–24), the Board continued its review of cost-recovery services in 2022, focusing on the trend of the accumulated surplus and reserve level, the clean-up of the long outstanding legacy surplus and the utilization of cost-recovery resources (A/78/5 (Vol. I), para. 117).

Accumulated surplus

14. The Board indicates that, according to the cost-recovery policy and guidelines issued by the Office of the Controller in February 2022, an entity supplying a service should fully recover all costs that are properly associated with providing that service. Profit or loss should be avoided as United Nations entities are not-for-profit organizations, and profit or loss in such a scenario would lead to a redistribution of funding between entities, which is contrary to donors' intentions. The guidelines also provide that for individual funds, the overall fund balance of cost-recovery services should not exceed one year of operating expenses, and the difference between income and expenditure per year should not vary more than +/-10 per cent of the costs incurred (A/78/5 (Vol. I), paras. 118–119). **The Advisory Committee stresses again the need for enhanced compliance with the United Nations policy and guidelines on cost-recovery services (see A/78/330, para. 59, and A/77/574, para. 14).**

15. The Board notes that the accumulated surplus of the cost-recovery fund (10RCR) totalled $452.92 million as at 31 December 2022, an increase of $4.38 million compared with the year-end balance of 2021, indicating an improvement in annual surplus management in 2022, while the upward trend of the accumulated surplus had not been reversed. United Nations Headquarters had the largest portion ($215.90 million as at 31 December 2022) of the 10RCR accumulated surplus at year end of the past seven years, ranging from 45 per cent to 56 per cent. Other top entities with a significant amount of the 10RCR accumulated surplus as at 31 December 2022 included the United Nations Office at Geneva ($66.35 million, 15 per cent), the United Nations Office at Nairobi ($55.70 million, 12 per cent), the Economic and Social Commission for Asia and the Pacific ($25.11 million, 6 per cent) and the United Nations Assistance Mission in Afghanistan ($24.79 million, 5 per cent) (A/78/5 (Vol. I), paras. 120–121).

16. The total amount of $452.92 million accumulated surplus as at 31 December 2022 was approximately 1.6 times the 2022 10RCR expenses ($280.78 million). The percentage of the accumulated surplus, compared with annual 10RCR expenses (i.e. reserve ratio) among the entities varied significantly, from 51 per cent to 321 per cent. Concerned that the large amount of accumulated surplus may have a negative influence on stakeholders' confidence in the reasonableness of charges for cost-recovery services, the Board recommends that the Administration expedite its review of 10RCR fund balances and the relevant reserve levels to ensure that the fund may be utilized in a more efficient and effective manner and the overall fund balance is maintained at an appropriate level in accordance with the relevant policy and guidelines (A/78/5 (Vol. I), paras. 122 and 124–125).

17. Upon enquiry, the Advisory Committee was informed that the Board had advised the Administration to take note of the considerable accumulated surplus and had requested that it provide opinions on whether the level of surplus was appropriate, as well as follow up on the use of the surplus. A "more efficient and effective" use of 10RCR (A/78/5 (Vol. I), para. 125) suggests that the Administration take this surplus into account in its preparation of the budget proposals to avoid idle funds or that it take steps to take advantage of the surplus. The Committee was also informed that the Board had noted that the Administration had issued corporate guidance on cost recovery at the

end of 2021, which stated that cost recovery was not allowed when assessed funding was given to a service provider to provide services. On a sample basis, the Board checked the departments concerned at United Nations Headquarters, the United Nations Office at Nairobi and some of the political missions and did not find the same issues as those noted last year in relation to the United Nations Support Mission in Libya, that is, charges for services that were already covered by the regular budget leading to a 10RCR fund surplus (see A/77/574, para. 16). The Committee was further informed by the Board that while the significant accumulation in both the programme support costs account and 10RCR was due to the collected revenue exceeding the corresponding costs incurred, differences could be noted between the two mechanisms. For the 10RCR fund, the revenue was collected from service recipients for services provided by service providers. Accordingly, a significant surplus might be partly due to inappropriate service pricing or overcharging. However, for programme support costs, revenue was currently collected based on a predetermined percentage of trust fund grants and was not directly associated with or attributable to one or two specific activities or services. Thus, the surplus in programme support costs revenue might be partly due to an improper setting of the predetermined percentage.

18. The Advisory Committee was also informed that the Board was of the view that managing the financing of staff liabilities in a separate fund, apart from the cost-recovery fund, could help to provide better clarity on the level of the balance maintained in the cost-recovery fund. Such a separation might also enable enhanced oversight of the Secretariat's management of cost-recovery revenue. The Committee was informed by the Administration that since the present value of the extrabudgetary share of after-service health insurance, as at 31 December 2022, was $914.9 million, of which $725.1 million was unfunded, further review was required to analyse the financial impact a change in the apportionment of costs might have on the sustainability and financing modality for the associated increases in after-service health insurance liabilities and annual pay-as-you-go costs, and to evaluate the potential impact underfunding of those costs might have on the programme support costs fund reserve. The Committee further discusses matters related to after-service health insurance in its first report on the proposed programme budget for 2024.

19. The Advisory Committee was further informed by the Administration that the Controller had issued comprehensive guidance on cost-recovery policies and procedures and had provided practical guidance on operating a cost-recovery regime that harmonized cost-recovery policy interpretation and application in the United Nations Secretariat. The policy guidance also contained instructions on the limits to and the use of surpluses generated by the provision of services. Cost recovery supported the provision of services across budget periods and fiscal years. Even though the goal was to use all the funds in the year they were generated, the operation of cost recovery across budget periods and fiscal years required an operating reserve. Such an operating reserve was carried from one budget period to the next in the form of a fund balance, as service provision was often not sustainable without the availability of working capital (i.e. receivable turnover), and longer-term costs associated with service provision needed to be considered (e.g. replacement of fixed assets, separation liabilities). Given the above, the current guidance was that the overall fund balance should not exceed one year of expenses (based on the average of the past three years). A clean-up exercise of the unassigned surpluses transferred from the Integrated Management Information System and other systems was currently under way. Once that activity was completed, the review of the requirements for future staff liabilities would take place and it was expected that some of the surpluses currently in the 10RCR fund would be set aside for future liabilities and operating costs required for the provision of services. The Committee discusses matters related to the 10RCR fund balance in its report on the financial performance report on the programme budget for 2022 (see A/78/330, para. 14).

Long-outstanding and unassigned legacy surplus

20. The Board notes that out of the total amount of $452.92 million in accumulated surplus of the 10RCR fund as at 31 December 2022, $223.95 million (49 per cent) belonged to the legacy Office of Programme Planning, Budget and Accounts (now the Office of Programme Planning, Finance and Budget). In addition, in its previous report (A/77/5 (Vol. I), chap. II, para. 31), the Board highlighted that $22.96 million in 10RCR accumulated surplus had not been assigned to any fund centre during the conversion to Umoja. The Board reviewed the clean-up actions undertaken by the Administration in that regard and notes that $14.4 million had been attributed to relevant fund centres, leaving $8.6 million in 10RCR accumulated surplus to be assigned as at 31 December 2022. The Administration indicated that it was committed to finalizing the clean-up exercise as a priority and expected to complete the work in the third quarter of 2023 (A/78/5 (Vol. I), paras. 127–132). **The Advisory Committee trusts that the Secretary-General will continue the efforts to clean up the long-outstanding and unassigned legacy 10RCR accumulated surplus in order to complete the work in the third quarter of 2023.**

Utilization of cost-recovery resources

21. The Board reviewed the loan transactions of the 10RCR fund and notes that during the period from 2015 to 2022, for the purposes of operational liquidity, the 10JFA (jointly financed activities) fund had borrowed a total amount of $192 million from the 10RCR fund to pay staff costs and other expenses, with total repayments of $155 million during the same period. As a result, there was an outstanding balance of $37 million to be repaid as at 31 December 2022. As reflected in the financial statements, the outstanding amount due from the 10JFA fund to the 10RCR fund had remained at $37 million for the past three years. The Board is concerned that using the 10RCR fund as a long-term funding mechanism for the business continuity of 10JFA operations may affect the utilization of the 10RCR fund in a more effective and efficient way, and recommends that the Administration clear the long-outstanding loan in a timely manner to enable the 10RCR fund to be used for cost-recovery activities in a more effective and efficient manner (A/78/5 (Vol. I), paras. 135–138). **The Advisory Committee concurs with the Board and trusts that the Secretary-General will update the General Assembly at the time of its consideration of the present report on the necessary steps to clear the long-outstanding loan (see also A/77/574, para. 24).** The Committee further discusses matters related to cost recovery in its first report on the proposed programme budget for 2024 and its report on the financial performance report on the programme budget for 2022.

UNOPS

22. With respect to UNOPS, management explained that UNOPS was presently creating the budget for the 2024–2025 period in response to different oversight recommendations and resolutions and while also adjusting the cost-recovery model to limit the accumulation of surpluses. The Board indicates that the modification of the cost-recovery model and fee rates need to take the budget expenses and net revenue targets into account to ensure the reasonable collection of management fees. Concerned that a lack of connection between pricing and budgeting may have a negative impact on the effective control of the accumulation of surpluses and the mitigation of financial risks, the Board recommends that UNOPS review its budgeting and price-setting practices and take measures to ensure the cost recovery/fee setting algorithm is based on the needs of UNOPS to fund its management expenses for the budget period (A/78/5/Add.11, paras. 23–27).

23. The Board also notes the overrecovery of costs for shared services from projects. The Board reviewed the cost recovery of shared services over the past five years and notes that the recovery of centrally managed direct costs has consistently exceeded related expenses from 2018 to 2021, although in 2022 the excess recovery amount has shown a declining trend with a deficit of $4.66 million. By contrast, locally managed direct costs experienced significant growth in 2021 and 2022, accounting for 94 per cent of the total accumulated surplus. Regionally managed direct costs remained relatively stable, consistently achieving overrecoveries over the long term. The Board recommends that UNOPS conduct a review to identify the root causes of the overrecovery of locally managed direct costs and regionally managed direct costs at the project level and integrate any learnings into its shared services management processes. The Board also recommends that UNOPS establish a global budgeting and recovery approach for locally managed direct costs for client projects to keep the recovery at a reasonable level (A/78/5/Add.11, paras. 72, 74, 80 and 81).

24. Upon enquiry, the Advisory Committee was informed by the Board that, currently, UNOPS did not have consistent budgeting and recovery mechanisms for locally managed direct costs for projects; rather, each country office autonomously determined the budget for those project costs. The Board noted that the composition and content of the budget for locally managed direct costs varied among the country offices, given that the budget was entirely subjective and depended on the country office’s guidance and decision. The Board therefore considered that it was necessary for UNOPS to establish a global budgeting and recovery approach.

25. **The Advisory Committee emphasizes the importance of monitoring the accumulation of surpluses and the overrecovery of shared service costs, in order to limit the accumulation of surpluses and to ensure that cost recovery is maintained at a reasonable level. The Committee also recalls that in its report on the budget estimates of UNOPS for the biennium 2024–2025, it had stated the view that, in order to prevent the accumulation of excess reserves, there would be merit in establishing a mechanism to monitor the financial situation, the level of reserves, as well as the return of excess reserves for annual reporting to the Executive Board (DP/OPS/2023/8, para. 21).**

4. Revenue-producing activities

26. The Board reviewed the financial performance of the revenue-producing activities of United Nations operations as reported in volume I (10ICR) from 2016 to 2022 and notes that those revenue-producing activities had operated at a loss for the past seven years, with a total amount of $23.50 million in accumulated losses. Nearly every type of revenue-producing activity was operated at a loss, especially catering operations, the United Nations Postal Administration and visitors’ services. The Board notes that a total amount of $3.39 million in losses from 10ICR business had been reported in the proposed programme budgets (income section 3) for 2021 and 2022, which increased the amount of assessed contributions on Member States (A/78/5 (Vol. I), paras. 150–152).

27. With respect to the catering operation, the Board reviewed the financial performance of the catering operation under 10ICR activities during the period from 2016 to 2022 and notes that the accumulated losses of the catering operation totalled $7 million as at 31 December 2022: 247 times the amount of $28,275 at the end of 2016. In particular, the catering operation had suffered heavy losses with higher expenses and lower revenue during the period from 2020 to 2022, owing mainly to the COVID-19 pandemic. In November 2019, the United Nations changed the business model for the catering operation from a profit-sharing model to a subsidized model, with subsidies totalling $4.97 million. With the progressive lifting of COVID-19 restrictions and the return of catering events, the subsidy level decreased

in 2022. The solicitation exercise for the next catering contract was scheduled to be completed by the end of 2023 and the new catering contract was anticipated to begin on 1 January 2024 (A/78/5 (Vol. I), paras. 154–156).

28. Upon enquiry, the Advisory Committee was informed that, with regard to improving the catering contract process, the Board considered that the following steps should be taken: (a) conduct a comprehensive study and market research before a new solicitation; (b) strengthen the process for the selection of a supplier for bidding; and (c) ensure that the contract was strictly reviewed by the Headquarters Committee on Contracts. **The Advisory Committee trusts that the Secretary-General will take into consideration these views of the Board. The Committee also reiterates its recommendation that the General Assembly request the Secretary-General to ensure that the award of the new contract is open for all vendors in full compliance with United Nations procurement policies, guidelines and procedures, and that fair and transparent competition among all prospective vendors is ensured. The Committee also trusts that more information will be provided to the Assembly on the status of the negotiation of the new contract, including on its potential impact on the projected deficit in revenue for 2024, which is based on the projected extension of the current "subsidy" model which should be avoided as much as possible (see also A/78/7, para. IS3.30).**

5. Cash and investment management

29. The United Nations Treasury is responsible for managing cash and investments and supporting the opening and closing of bank accounts worldwide. Assets are combined and managed as two separate investment pools: one main pool in United States dollars and one pool in euros. As at 31 December 2022, the cash pools (main pool and euro pool) held total assets of $11,886.4 million (2021: $11,812.7 million), of which $5,608.0 million (2021: $5,372.3 million) was due to the Organization, and its share of revenue from cash pools was $21.9 million (2021: $8.4 million) (A/78/5 (Vol. I), paras. 193–194). Upon enquiry, the Advisory Committee was provided with table 1 showing the investment revenue of different entities that participated in main pool in December 2022.

Table 1
Investment revenue by entity, December 2022

Entity	*Realized revenue*	*Unrealized gain/(loss)*	*Net revenue*
International Residual Mechanism for Criminal Tribunals	2 699 941.42	(1 906 720.93)	793 220.49
ITC	2 167 812.37	(1 737 889.14)	429 923.23
UNEP	24 078 366.63	(19 167 895.53)	4 910 471.10
UN-Habitat	4 201 288.55	(3 014 955.98)	1 186 332.57
UNODC	14 844 575.63	(10 925 217.94)	3 919 357.69
UNU	514 755.11	(369 750.01)	145 005.10
United Nations as reported in volume I	87 400 101.89	(65 482 245.16)	21 917 856.73

30. With respect to UNOPS, the Advisory Committee was informed by the Board, upon enquiry, that investments under the Sustainable Investments in Infrastructure and Innovation initiative were financed from accumulated surpluses over the years, derived from a consistent underestimation of revenue from management fees and an overestimation of administrative budget expenditures during the budgeting process, resulting in excess reserves above the minimum reserve, some of which UNOPS had

used to carry out those investments. To avoid a recurrence of the problem, UNOPS should reasonably measure the needs for administrative expenditure during the budgeting process and ensure that the revenue from management fees was linked to the needs for expenditure related to administrative costs, so as to minimize the continuous accumulation of surpluses. The Committee was also informed by the Board that the investment under the Sustainable Investments in Infrastructure and Innovation initiative had not been diverted from UNOPS and remained an asset of UNOPS. Therefore, UNOPS should be the primary responsible party for the recovery of the funds related to the initiative, although it had a low level of involvement in the recovery of funds, with the Office of Legal Affairs in the lead. The relevant information was kept confidential and not made available to the Board, and it was unclear who was accountable for results related to the fund recovery and how they were accountable. The Board stated that the imbalance between responsibilities and obligations might affect the efficiency and effectiveness of fund recovery. **The Advisory Committee emphasizes the importance of full recovery of the funds, and trusts that an update on these efforts, as well as related expenditure, including legal fees, will be provided to the General Assembly at the time of its consideration of the present report.**

31. The Advisory Committee was also informed that the investment income of UNOPS had declined overall, with an investment expense of $44.6 million in 2022 (income of $16.7 million in 2021). UNOPS placed the majority of its funds in the custody of a third-party asset management company for investment, and had held only three Investment Advisory Committee meetings in 2021 and 2022 to review the performance reports from the custodian and asset manager, which was fewer than the four meetings per year required.

6. Health insurance programme

32. The United Nations has established medical and dental insurance plans as part of the social security scheme for its staff, retirees and eligible dependants. Most of the plans are self-insured and are managed at two locations: New York and Geneva. As of December 2022, the self-insurance plans covered 227,576 participants, including staff members, retirees and dependants from the Secretariat and other participating organizations, such as UNICEF, UNHCR, UNDP and the International Telecommunication Union. In 2022, an amount of $636.25 million in claims was paid under those plans. In its 2022 audit, the Board reviewed the reserve levels of the main insurance plans and noted that the United Nations Medical Insurance Plan still had persistent deficits in 2021 and 2022, leading to a depletion of its reserve. As at 31 December 2022, the reserve of the Plan totalled $2.66 million, and the ratio of reserve balance to average expenses per month was 0.72, which was far below the reserve level of six to eight average months of claim costs set for the Plan. The Board recommends that the Administration establish an institutional mechanism for United Nations Medical Insurance Plan management to periodically review the performance of the Plan, propose premium rate adjustments and closely monitor the reserve balance of the Plan to ensure its sustainability (A/78/5 (Vol. I), paras. 215, 219, 220 and 223).

33. The Board notes that the United Nations worldwide plan, the Cigna Dental plan and the Aetna plan had accumulated surpluses continuously in recent years, and that the reserve balances totalled $126.86 million, $24.72 million and $106.5 million respectively as at 31 December 2022. The reserve levels of those plans were also above the suggested ceilings of four to eight average months of claim costs. The Board is of the view that a continuous high reserve level over several years compared with relevant benchmarks may imply that the Organization and plan participants bear higher costs (A/78/5 (Vol. I), paras. 225 and 228).

34. Upon enquiry, the Advisory Committee was informed that the Board was of the view that accrual-based forecasting could aid financial planning for long-term health liabilities. As regards an institutional mechanism, the Committee was informed by the Board that a committee mandated to closely monitor the reserve balances of the health plans and take appropriate timely actions could help to ensure that reserves remained within reasonable ranges. The Committee was informed by the Administration that the levels of health insurance reserve balances generally fluctuated based on differences between actual and estimated claims experience, as reflected in insurance premiums. The low balance of the reserve for the United Nations Medical Insurance Plan for locally recruited staff in designated duty stations was also attributable to: (a) a decrease in membership of active staff, which was exacerbated by an increase in the percentage of retirees caused, in part, by the downscaling and closure of peacekeeping missions; (b) the dispersed administration of the Plan's after-service health insurance; (c) an increasing number of high-cost claims; (d) medical inflation; (e) inadequate staff resources to conduct benefit reviews; and (f) the lack of an oversight committee to determine the adequacy of insurance premiums. Recent changes, such as the centralization of the administration of the Medical Insurance Plan after-service health insurance at Headquarters had improved matters. However, there were further significant and longer-term improvements required for the concrete establishment of an institutional mechanism to oversee the management of the Plan for locally recruited staff. The proper management and support of such a mechanism would need strengthened capacity, which the Administration would need to consider in the context of future proposed budgets.

35. **The Advisory Committee concurs with the recommendation of the Board for the establishment of an institutional mechanism to review the performance of the United Nations Medical Insurance Plan, closely monitor the reserve balance of the Plan, and recommend actions to be taken. The Committee trusts that the Secretary-General will provide additional information to the General Assembly on any related financial implications at the time of its consideration of the present report.**

7. Financial and budget management

36. As mentioned above, the Board included a new section on financial and budget management in its report, which provides the results of a survey among 15 entities (the United Nations as reported in volume I, the United Nations peacekeeping operations, ITC, UNEP, UNFPA, UN-Habitat, UNICEF, UNITAR, the United Nations Joint Staff Pension Fund, UNODC, UNOPS, UNRWA, UNU, UN-Women and the International Residual Mechanism for Criminal Tribunals), in order to get a view on how budget management is perceived across various entities. Regarding the practices in budgeting, the survey results indicate that they vary from entity to entity. In terms of budgeting methodology, 13 entities declared that they used results-based budgeting frameworks, which consisted of a number of elements that would build on and strengthen the existing programme planning, budgeting, monitoring and evaluation framework and procedures. One entity stated that it used activity-based budgeting, and another that it used natural-growth budgeting. Of the 18 audited entities, 17 had managed to stay within their allocated budgets. UNOPS expenditure in 2022 exceeded its appropriation by $23.73 million (22.75 per cent), due mainly to the impairment of Sustainable Investments in Infrastructure and Innovation investments and the fact that UNOPS does not budget internally for write-offs, provisions or contingency surplus. Expenditure incurred by UNHCR,[3] UNICEF and UNRWA was lower than the appropriation by more than $100 million. Among the 17 entities, 12 had total revenue exceeding the approved budget, by a total amount of $12.03 billion. For five entities,

[3] According to the budget methodology in UNHCR, appropriation stems from a needs-based budget.

total revenue was lower than the approved budget, by a total amount of $4.74 billion (A/78/215, paras. 212–223).

37. In its analysis, the Board notes the following weaknesses: an absence of regulations and rules in some areas; opportunities for improvements to some regulations, rules and guidelines; and weaknesses in compliance with the existing regulations, rules and guidelines. For example, with regard to the absence of regulations and rules, owing to the lack of a formalized guideline on information and methods for the review of the information and communications technology (ICT) budget proposals submitted by the entities and of effective follow-up measures to ensure that the entities implement the requests and recommendations of the Office of Information and Communications Technology, the central review on the ICT budget proposals by the Office was not properly conducted. Instances of non-compliance have been noted in relation to budget implementation, such as expenditure under furniture and equipment that in 2022 totalled $49.79 million, representing an overexpenditure rate of 71 per cent. The Board notes the following areas for further improvement: policy frameworks in relation to financial and budget management could be updated to address weaknesses as needed; improved monitoring and streamlining would be needed for compliance and accountability; the use of inactive funds or unencumbered balances could be optimized to improve efficiency and effectiveness; training and workshops could be organized to improve financial and budget management; and full and timely implementation of the Board's recommendations is necessary (A/78/215, paras. 225–258).

38. Upon enquiry, the Advisory Committee was informed by the Board that while it had highlighted the importance of the completeness, transparency and comparability of budgeting, which were also requirements of IPSAS, the entities differed in their budgeting practices. For example, many entities did not fully report all revenue (with some just reporting that of the regular budget) or activities funded by voluntary contributions. The Board noted that a holistic presentation of all sources of funding and activities would be beneficial for the governing bodies. The Board also indicated that given the deficiencies highlighted, including the lack of transparency of extrabudgetary resources in the proposed programme budget and the lack of detailed information for grants and contributions, the Administration should promptly improve the sufficiency, completeness and reliability of performance reporting. The Board further considered that a number of areas, such as special fund commitments, management of cost-recovery funds, grant management, transfers between sections, disclosure and reporting on extrabudgetary resources in proposed programme budgets, and the use of inactive funds, should be included in the review of the Financial Regulations and Rules of the United Nations to be undertaken pursuant to the adoption of an annual budget. With respect to efficiency gains, the Board indicated that it had identified inactive funds of around $850 million that needed to be utilized in a more efficient manner.

39. The Board reviewed the proposed programme budgets for humanitarian assistance (section 27) from 2020 to 2022 as well as their supplementary information, and notes that the estimated allocations from the country-based pooled funds, the Central Emergency Response Fund and specially designated contributions to implementing partners were excluded from the extrabudgetary resources. A similar observation was made for the proposed programme budget for political affairs (section 3), in which the Peacebuilding Fund was not disclosed. The Board recommends that the Administration make appropriate disclosures on the funds received in its budget documents to ensure transparency. The Administration accepted the recommendation and will disclose in a footnote, where appropriate, the estimated resources for the Central Emergency Response Fund, the country-based pooled funds and specially designated contributions in the context of the extrabudgetary resource

estimates presented in the proposed programme budget for the Office for the Coordination of Humanitarian Affairs. Similarly, the estimates for the Peacebuilding Fund will be disclosed in a footnote in the context of the extrabudgetary resource estimates presented in the proposed programme budget for the Peacebuilding Support Office (A/78/5 (Vol. I), paras. 24 and 28–30).

40. Upon enquiry, the Advisory Committee was informed by the Administration that the historical and well-established practice of including such information in a disclosure "note" reflected an important distinction about the implementing entities (such resources are typically for United Nations system-wide mandates), which use voluntary contributions, and which should not be conflated with the core United Nations programme budget mandates and the resources sought under assessed funding from Member States. The extrabudgetary amounts disclosed were not extrabudgetary resources that were available to the Office for the Coordination of Humanitarian Affairs for its own use, but were allocated to other United Nations system entities, that is funds, programmes and participating organizations that use the allocations to implement their respective mandates. Similarly, the vast majority of Peacebuilding Fund resources were not for programming by the Peacebuilding Support Office of the Department of Political and Peacebuilding Affairs, but to support efforts to address immediate needs in countries emerging from conflict at a time when sufficient resources were not available from other funding mechanisms that could extend support to peacebuilding activities. In addition, there were other formal reporting mechanisms on the implementation and use of extrabudgetary funds. For example, the Office for the Coordination of Humanitarian Affairs submitted an annual report to the General Assembly on the Central Emergency Response Fund. These extrabudgetary funds were also subject to audit by United Nations oversight bodies (the Board of Auditors, the Office of Internal Oversight Services and the Joint Inspection Unit), and the Office for the Coordination of Humanitarian Affairs equally undertook its own assurance activities, including financial spot checks and audits of the grants provided to the pooled fund implementing partners. Regarding the Peacebuilding Fund, that Fund was managed and reported on in accordance with UNDP regulations, rules, directives and procedures and was audited by the UNDP Board of Auditors. The UNDP Multi-Partner Trust Fund Office, as the administrative agent for the Fund, was responsible for fund administration, including receipt of donor contributions and transfers to recipient organizations, and financial reporting. All trust funds under the Secretariat were subject to audit and financial details on each trust fund were published as part of the financial statements in the schedule of individual trust funds.

41. The Board also notes variances between planned and actual extrabudgetary posts. In its review of five sampled entities in 2022, two entities had high variances between the number of planned and actual extrabudgetary posts. With regard to the Department of Political and Peacebuilding Affairs and the United Nations Office at Nairobi, the number of estimated extrabudgetary posts outlined in their 2022 budget proposals was 81 and 240 respectively, while the actual extrabudgetary posts as at 31 December 2022 were 106 and 276 respectively (A/78/5 (Vol. I), para. 33). Upon enquiry, the Advisory Committee was informed of three other entities where the number of actual extrabudgetary posts did not match what was reflected in budget documents, as indicated in table 2.

Table 2
Entities with variances between the number of planned and actual extrabudgetary posts

		Extrabudgetary posts			
Budget section	*Entity*	*Estimated posts in 2022 budget document*	*Actual posts in 2022*	*Variance*	*Variance rate (percentage)*
29A	Department of Management Strategy, Policy and Compliance	115	126	11	10
29B	Department of Operational Support	55	60	5	9
29C	Office of Information and Communications Technology	12	13	1	8

42. **The Advisory Committee concurs with the views of the Board and stresses the importance of adhering to budgetary regulations, rules and guidelines. The Committee recommends that the General Assembly request entities to review their policy frameworks and monitor compliance, so as to strengthen budgetary discipline and accountability. The Committee also trusts that future budget submissions will provide a holistic presentation of all sources of funding and activities.** The Committee further discusses overexpenditure, including on furniture and equipment, in its report on the financial performance report on the programme budget for 2022.

B. Human resources management

1. Staff members contracted by the United Nations Development Programme

43. In 2022, the Office for the Coordination of Humanitarian Affairs established 11 positions at the D-1 level and above, funded by extrabudgetary resources through service-level agreements with UNDP, for regional humanitarian coordinators and deputy humanitarian coordinators. The 11 positions were filled. Among the 11 positions, 10 positions, including two at the level of Assistant Secretary-General, five at the D-2 level and three at the D-1 level, had been established for more than one year, with the oldest (Regional Humanitarian Coordinator) having been established in 2012. The Board notes that approval from the appropriate bodies for the 10 positions had not been sought prior to their establishment. The Administration explained that the mandate for these senior humanitarian coordinator positions was under the Inter-Agency Standing Committee and they were not part of the Secretariat and held no Secretariat functions. The Administration also explained that three positions had been discontinued as at 31 December 2022 and four positions would be discontinued in 2023. The Board was of the view that these 10 positions were actually funded by extrabudgetary resources and substantively reported to the Emergency Relief Coordinator, who is also the Under-Secretary-General for Humanitarian Affairs. Thus, the positions should have been approved by the governing bodies (A/78/5 (Vol. I), paras. 316–319).

44. Upon enquiry, the Advisory Committee was informed by the Board that it was of the view that enhancement of governance and adequate supervision was needed in the process of setting up those positions and that, at present, there was no indication that the United Nations would terminate those contracts or that the approval of the Advisory Committee or the General Assembly would be sought. The Committee was also provided with table 3 setting out the 11 positions.

Table 3
Eleven positions at the D-1 level and above established by the Office for the Coordination of Humanitarian Affairs in 2022

Level	*Functional title*	*Status*
ASG	Regional Humanitarian Coordinator	Position established in April 2012
		Position filled for 1 year and 3 months (from 1 April 2012 to 1 July 2013)
		Position filled for 1 year (from 1 August 2013 to 1 August 2014)
		Position filled for 2 years and 5 months (from 7 January 2015 to 23 June 2017)
		Position filled for 2 years and 3 months (from 15 September 2017 to 14 December 2019)
		Position filled for 9 months (from 4 January 2020 to 31 October 2020)
		Current incumbent since 1 December 2020
ASG	Regional Humanitarian Coordinator	Position established in November 2021
		Current incumbent since 11 November 2021
D-2	Deputy Humanitarian Coordinator	Position established in June 2021
		Current incumbent since 15 June 2021
D-2	Deputy Humanitarian Coordinator	Position established in March 2015
		Position filled for 1 year and 7 months (from 1 June 2014 to 15 February 2016)
		Position filled for 2 years and 3 months (from 3 May 2016 to 15 September 2018)
		Position filled for 3 years and 9 months (from 3 November 2018 to 30 September 2022)
D-2	Deputy Humanitarian Coordinator	Position established on 10 January 2018
		Position filled for 2 years (from 10 January 2018 to 9 January 2020)
		Position filled for 1 year and 4 months (from 21 January 2020 to 16 June 2021)
		Current incumbent since 27 July 2021
D-2	Deputy Humanitarian Coordinator	Position established in January 2022
		Incumbent since 3 January 2022
D-2	Deputy Humanitarian Coordinator	Position established in May 2019
		Position filled for 1 year and 8 months (from 8 May 2019 to 11 January 2021)
		Current incumbent since 1 March 2021
D-1	Deputy Humanitarian Coordinator	Position established in June 2019
		Current incumbent since 30 August 2019
D-1	Deputy Humanitarian Coordinator	Position established in February 2022
		Current incumbent since 25 August 2022

Level	*Functional title*	*Status*
D-1	Deputy Humanitarian Coordinator	Position established in November 2017
		Position filled for 2 months (from 18 August 2017 to 20 October 2017)
		Position filled for 7 months (from 24 November 2017 to 10 June 2018)
		Position discontinued
		Position re-established in January 2021
		Position filled for 6 months (from 4 April to 31 October 2021)
		Current incumbent since 12 January 2022
D-1	Deputy Humanitarian Coordinator	Position established in March 2019 for 3 months (from 23 March 2019 to 3 June 2019) then discontinued
		Position re-established on 6 May 2021
		Position filled for less than 2 months (from 21 May 2021 to 3 July 2021)
		Position filled for 6 months (from 10 October 2021 to 10 April 2022)
		Position discontinued on 10 April 2022
		Position re-established in September 2022
		Current incumbent since 25 September 2022

45. **The Advisory Committee recalls that it previously stressed the need for greater clarity, compliance with the relevant rules and regulations, as well as budgetary transparency for outsourcing the recruitment of personnel to UNDP, UNOPS and third parties. The Committee also saw merit in a comprehensive review of personnel hired through these modalities, in conjunction with a workforce planning and cost-benefit analysis (A/77/574, para. 53). The Committee further recalls that, in accordance with section II, paragraph 2, of General Assembly resolution 35/217, the Advisory Committee reviews proposals for all new posts at the D-1 level and above that are funded through extrabudgetary sources and are not otherwise subject to scrutiny by an intergovernmental body.**

46. **The Advisory Committee reiterates its serious concern that the concurrence of the Committee pursuant to General Assembly resolution 35/217 was not sought prior to the establishment of a number of high-level positions funded through extrabudgetary sources. The Committee recommends that the Assembly request the Secretary-General take all the measures necessary to avoid the repetition of a similar situation and to ensure full respect of the provisions of Assembly resolutions (A/77/574, para. 60, see also A/78/7, para. 94).**

47. The Board also reviewed the selection process for the positions of regional humanitarian coordinator and deputy humanitarian coordinator, and notes that no job openings had been posted and that neither of the incumbents had gone through pre-screening and assessment, nor had they been reviewed by a central review body. The Administration explained that the regional humanitarian coordinator and deputy humanitarian coordinator positions were not part of the United Nations Secretariat, and therefore the administrative instructions on the administration of temporary appointments (ST/AI/2010/4/Rev.1) and on the staff selection system (ST/AI/2010/3) did not apply. According to the existing selection procedure and in accordance with General Assembly resolution 46/182, the Emergency Relief Coordinator, after

consultation with the Inter-Agency Standing Committee and partners, would decide to designate a senior official to a specific country in crisis. Then the Office for the Coordination of Humanitarian Affairs would submit the request to UNDP to handle the administrative procedures. The Office for the Coordination of Humanitarian Affairs would work with UNDP to enhance the selection procedures for those positions.

48. The Board notes that there is no clear policy on the selection procedures for the positions of regional humanitarian coordinator and deputy humanitarian coordinator. In addition, the Board notes that no review process was conducted by the Secretariat central review bodies during the selection process of 1,174 candidates for national staff positions, which was required in the staff selection system (A/78/5 (Vol. I), paras. 320–322).

49. Upon enquiry, the Advisory Committee was provided with information by the Board on UNDP-administered staff. The 1,398 UNDP-administered staff were composed of three groups. Group one comprised the humanitarian coordinators, of which there were 11, who were designated to support rapid scaling up of humanitarian operations and to enhance operational effectiveness and other related tasks linked to the respective humanitarian context in support of the Inter-Agency Standing Committee and the Emergency Relief Coordinator. Group two comprised UNDP-administered national staff, numbering 34, who were selected for temporary international assignments with the Office for the Coordination of Humanitarian Affairs, performing international professional functions. Group three, totalling 1,353 staff, comprised national staff administered by UNDP working in the field offices.

50. **The Advisory Committee recalls that, in its resolution 74/262, the General Assembly stressed that all extrabudgetary posts must be administered and managed with the same rigour as regular budget posts. The Committee also previously stressed the need for greater transparency and more comprehensive information on extrabudgetary resources for each subprogramme of the programme budget (A/76/554, para. 23). The Committee trusts that the Office for the Coordination of Humanitarian Affairs will review its selection processes to ensure that all positions are recruited following a competitive and transparent process that is reviewed by a central review body as appropriate.**

2. Information and communications technology staffing support service

51. The Board notes that ICT personnel contracted by third parties constitute an integral part of the ICT-related workforce in the Secretariat, among which company "T" was the largest service provider. As at 31 December 2022, there were 1,306 personnel contracted by company T at the Secretariat through three contracts signed, respectively, in 2005, 2009 and 2020, to provide ICT staffing support service to the Secretariat. The total not-to-exceed amount for the three contracts was $1.07 billion, and the actual expenditure was $1.01 billion as at 4 May 2023. As at 31 December 2022, the number of personnel contracted by company T was 1,306 distributed in 37 missions and entities, compared with a total of 1,629 ICT staff funded by the regular budget. The Board also notes that the total number of personnel contracted by third parties, including UNOPS, company T and company "E", for the Office reached 392, which was 1.71 times that of staff members funded by the regular budget.

52. Of 1,306 personnel, a total of 1,013 had been working for the Secretariat for more than one year and 659 had been working for more than three years, including 475 who had been employed for over five years. In addition, 145 personnel had been working for more than 10 years, while 37 had been with the Organization for more than 15 years, with the longest duration being 17 years. The Board notes that core or regular functions (such as information technology infrastructure technician, data architect and web designer),

which could have been held by Secretariat staff funded by the regular budget, had been performed by contracted personnel for a long time (A/78/5 (Vol. I), paras. 332–337).

53. Upon enquiry, the Advisory Committee was informed that, in respect of whether an eventual change in the contracted company was able to be implemented without disruption in ICT-related activities, the Board was of the view that it was necessary to carry out a special study on this change with due diligence for ensuring business continuity. The Committee was also provided with the list of all contractors of company T across secretariat entities by location.

54. The Advisory Committee was also informed by the Administration that the utilization of company T by the Office of Information and Communications Technology represented a fraction of the overall usage. Company T was engaged to provide technical services available in the market and as such the reliance on company T was low; other considerations that had an impact on reliance were the specific technologies used in the United Nations and the scale of operations. Even with these two elements considered, the experience of the Office indicated that the reliance on company T was not significant. The Office had undertaken initial steps to evaluate its ICT workforce, including an in-depth analysis of organizational options. Based on this analysis, alignments within existing authorities and resources had been undertaken. The actions to resolve the issue were expected to be presented within the context of the 2025 budget.

55. **The Advisory Committee recalls its concerns about the overreliance on consultants and contractors, noting the operational exposure due to non-staff personnel holding key positions and performing core functions, implications on accountability, trends of overexpenditure and recurring deficiencies in their management, including non-compliance with the relevant legal framework (A/77/574, para. 57). The Committee recommends that the Secretariat conduct a thorough workforce review of the ICT staffing support service, and submit its findings and analysis in the next proposed programme budget, together with justifications for the continued use of contracted personnel for core or regular functions and/or for an extended period of time.**

56. The Board also reviewed the procurement and contract management of ICT staffing support services and notes some significant deficiencies. In relation to the request-for-proposal phase of the solicitation exercise, of the 17 vendors that responded, two were disqualified for not meeting the mandatory requirements, but not company T, which had not met the initial mandatory criteria and had finally pre-qualified for the request-for-proposal phase after the Procurement Division revised the evaluation criterion from "profitability of the vendor in the last three years" to a less stringent requirement of "submission of financial statements" and reduced the annual turnover criterion from $10 million to $5 million. The Board indicates that the original contract with company T was signed on 30 June 2005; since then it has undergone 36 amendments. The Administration had planned to conduct a solicitation to replace the contract; however, the planned solicitation was repeatedly delayed owing to insufficient planning and delays in developing the statement of work.

57. While acknowledging the complexity of the new solicitation, the Board is of the view that the Procurement Division and the Department of Field Support (now the Department of Operational Support) had been aware of the challenges for many years and could have started the process much earlier. The Board is also of the view that the Department of Field Support should have prioritized expediting the replacement process of the existing contract to avoid putting itself in a situation where it had no other choice than to extend the contract once again. The Board also reviewed a solicitation process conducted in 2017 and noted weaknesses. Company "M" received the highest technical score and had the lowest cost, but was not awarded the contract, which was rebid and finally awarded to company T (A/78/5 (Vol. I), paras. 341–353).

58. Upon enquiry, the Advisory Committee was informed that the Board noted that the Secretariat planned to reopen a bidding process and that the solicitation process was ongoing. The Committee was also provided with details of the proposed contracts with companies T and M. The Committee was informed by the Administration that the request for proposals for the new Office of Information and Communications Technology contract was issued on 30 July 2022 and the contract was expected to be concluded by the end of 2023.

59. The Board notes similar issues regarding procurement functions in general under supply chain management, including limitations to competition, long contracting periods and substantial modifications of contracts by amendments. The Board also notes that the functioning of the Vendor Review Committee could be improved, as it still lacks useful instruments that could enable its work and enhance the quality and the equity of its advice. For instance, there is no guideline for sanctions. The United Nations Global Marketplace serves as the central database listing all sanctions, and it is up to each entity, if it wishes, to apply mutual recognition of a sanctioned vendor. The Board recommends that the Administration strengthen the coordination on vendor sanctions with other agencies, funds and programmes of the United Nations system, with the objective of assessing the feasibility and benefits of establishing, in the medium-term, a joint vendor committee to harmonize procedures and actions taken (A/78/5 (Vol. I), paras. 442–447).

60. On ensuring competition, the Advisory Committee was informed by the Administration that the Secretariat continued its efforts to conduct outreach and market research activities, and with the e-tendering solution the Secretariat was now able proactively to seek participation from the market by reminding invited vendors of upcoming deadlines to submit offers. Solicitation timelines were being monitored as a key performance indicator of the supply chain performance. Regarding the modifications of contracts by amendments, the Committee was informed by the Administration that the contract modifications were reviewed following the regulatory procurement framework and considered to be in the best interest of the United Nations, as they had been triggered by changes introduced by the United Nations and others beyond the control of the United Nations or the vendor. All material changes to the contract were subject to review by relevant review committees in accordance with the delegation framework. Their independent advice was in line with Procurement Division’s recommendation. Amendments to contracts were considered on a case-by-case basis and, if found appropriate, were undertaken in conformity with the regulatory procurement framework, which included relevant approvals by the procurement approving authority, an assessment of the acceptability of technical and commercial terms and reviews by the relevant review committees. In addition, exceptions to formal methods of solicitation were being monitored as a key performance indicator by the Secretariat with the aim of preventing the unjustified use of exceptions to formal methods of solicitation.

61. **The Advisory Committee concurs with the recommendations of the Board and trusts that an update on the establishment of a joint vendor committee will be provided in the next proposed programme budget. The Committee recalls that it previously encouraged the Secretary-General to pursue further efforts to maximize diversity in the Secretariat’s vendor base, including from developing countries and countries with economies in transition, in compliance with all applicable regulations (A/78/7, para. VIII.59). The Committee also trusts that the Secretary-General will review procurement issues that arose from previous solicitations to ensure accountability, apply lessons learned in future procurement processes, strengthen adherence to United Nations procurement principles and ensure transparency in procurement.**

3. Temporary assignments

62. With respect to the management of special post allowances, the Board notes that, in 2022, 1,081 staff members in entities of the United Nations as reported in volume I had been in receipt of a special post allowance. The Board reviewed the duration and reporting of those special post allowance cases and notes the following deficiencies:

(a) Of 1,081 staff members, 488 had been in receipt of a special post allowance for more than one year, among which 21 staff members had been in receipt of a special post allowance for more than five years (the longest duration was more than eight years), which is not in line with the temporary nature of special post allowances;

(b) A total of 199 fully vacant positions were encumbered by staff in receipt of a special post allowance; as a result, the positions were not filled through regular recruitment processes in a timely manner. Among the 488 positions encumbered by staff in receipt of a special post allowance, 199 were fully vacant positions. The Board notes that 78 of the 199 positions had been vacant for more than two years (A/78/5 (Vol. I), para. 362).

63. Upon enquiry, the Advisory Committee was informed by the Administration that the policy guidelines on special post allowances were currently under development, with issuance estimated to be at the end of the first quarter of 2024. The guidelines would comprehensively address how special post allowances were to be administered and would include the scope, application, eligibility, duration and conditions for payment. Progress would be reported in the context of the next report of the Secretary-General on the implementation of the Board's recommendations.

64. **The Advisory Committee reiterates its concern regarding cases of "temporary" assignments of staff members to higher-level positions for lengthy periods, while keeping a lien on the posts, impacting the recruitment process, as well as geographical representation and gender balance. The Committee recalls that the General Assembly, in its resolution 75/252, bore in mind the rules governing the duration and extension of special post allowances and the fact that the granting of such benefits should be restricted to exceptional cases only, and requested the Secretary-General to comply with those rules and review the existence of posts that had been vacant or encumbered through special post allowances for more than one year and to report thereon in his next budget proposal. The Committee recommends that the Assembly request the Secretary-General to conduct an assessment of the use of special post allowances, including the use and limitation of the duration of liens on posts, and the number and category of posts concerned on an exceptional basis, to identify a solution for the management of vacancies, including potential policy correction, and provide an update in the context of human resources management (A/78/7, para. 46).**

65. On general temporary assistance replacement positions, the Board notes that, of the 454 positions at the D-1 level and above with a duration of over one year funded by the regular budget, 416 were established posts, 23 were general temporary assistance replacement positions, 7 were temporary posts, 5 were posts funded by voluntary contributions and 3 were positions providing temporary assistance for meetings. The Board reviewed those positions and notes that four general temporary assistance replacement positions at the D-1 level and above, funded by the regular budget at the Economic Commission for Africa, were not reported in the proposed programme budget for 2022. The Board further notes that the four general temporary assistance replacement positions had been established for more than 2 years and that the longest position had been established for 10 years, and therefore they were not temporary in nature. The Board also notes instances of long-term use of temporary appointments and that 17 exceptions relating to temporary appointments/assignments were outside the delegated authority of the approving entities (A/78/5 (Vol. I), paras. 367–368, 396 and 399).

66. **The Advisory Committee recalls that general temporary assistance is intended for additional support during periods of exceptional and/or peak workload and the replacement of staff on maternity leave or prolonged sick leave. The Committee reiterates its recommendation that the General Assembly request the Secretary-General to include information on general temporary assistance positions by type, grade, level, function, date of incumbency and duration in the introduction and the individual sections of future budget submissions, and to ensure that all general temporary assistance positions, including continuing positions, are fully justified in future budget proposals, whether or not they were already approved in the budget for the prior period (A/78/7, para. 61).**

67. In its report on UNRWA, the Board reviewed the list of daily paid workers provided by UNRWA in the Gaza, Jordan, Lebanon and West Bank field offices and noted that there were a total of 3,910 daily paid workers, of which 1,586 (41 per cent) had worked for more than two years. Most of those workers were teachers and nurses who had been working for UNRWA on discontinuous daily paid contracts for a long time. That indicated that the positions were filled with daily paid workers instead of with staff members on fixed-term contracts. Among the 1,586 daily paid workers who had worked for more than 2 years, 828 workers had served for 2 to5 years, accounting for 52 per cent; 639 workers had served for 5 to 10 years, accounting for 40 per cent; and 119 workers had served for more than 10 years, accounting for 8 per cent. The Board is concerned that the long-term employment of daily paid workers, including teachers and nurses, may lead to the replacement of permanent positions and potentially have an impact on the quality of education and medical services provided to refugees. Furthermore, such uncertainty around employment could also affect the stability and well-being of employees. UNRWA explained that it hired daily paid workers to manage the budget owing to continuous financial constraints. As part of its efforts to reduce reliance on daily paid workers, UNRWA has requested that all field offices maintain the hiring of daily paid workers at 7.5 per cent below standard levels and proactively plan their reduction to achieve that target. The Board recommends that UNRWA take effective measures to gradually reduce reliance on daily paid workers, particularly in education and medical care, and to mitigate personnel instability and associated management risks that may arise from a high ratio of daily paid workers (A/78/5/Add.4, paras. 61–65).

68. Upon enquiry, the Advisory Committee was informed by the Board that, in 2022, UNRWA had reported a deficit of $122.16 million for the year ended 31 December 2022 (2021: surplus of $77.00 million). The deficit was attributable mainly to decreases in cash contributions from various donors. The revenue of UNRWA had decreased by $93.45 million from $1,283.68 million in 2021 to $1,190.23 million in 2022. The financial constraints could affect the quantity of the services provided by UNRWA. For some long-term staff positions, especially of teachers and for medical services, contracts should be extended according to the actual service period. The Board was of the opinion that UNRWA could reduce its reliance on daily paid workers, particularly in education and medical care, and maintain hiring of those workers at a reasonable level and proactively plan their reduction to achieve that target according to the situation of the various field offices.

69. The Advisory Committee was informed by UNRWA that daily paid workers were hired for temporary, intermittent and time-limited assignments and they were considered to be complementary personnel with non-staff status. Daily paid workers were eligible to be paid for days worked only and their wages were calculated as a daily rate from the monthly area (local) staff base salary set for each duty station. UNRWA senior management had actions planned to reduce the percentage of daily paid workers on a gradual basis, noting the financial challenges, and it had been agreed with the Staff Union that ideally the percentage of daily paid workers should

not exceed 7.5 per cent. However, that modality would continue to be used, based on the regulatory framework of UNWRA, to respond to temporary staffing needs in cases of staff being on leave or for surge capacity.

70. **The Advisory Committee concurs with the Board and trusts that UNRWA will review its reliance on daily paid workers and provide an update in the context of the next programme budget report.**

4. Geographical distribution

71. On the issue of geographical distribution, the Board notes the following:

(a) The number of underrepresented and unrepresented countries had not decreased in the past three years;

(b) The number of geographical posts filled by nationals of some countries was significantly below the lower limit set for those countries;

(c) Some geographical posts had been vacant for a long duration, including 76 vacant for more than one year, of which the longest was vacant for 46 months;

(d) Geographical diversity in special political missions and peacekeeping missions needed further improvement. As at 31 January 2023, there were 904 incumbents against positions in special political missions and peacekeeping operations in the Professional and higher categories (excluding language posts). Those 904 posts were distributed among nationals of 127 countries, with 66 Member States being unrepresented, compared with 20 unrepresented countries in the Secretariat (excluding the special political missions and peacekeeping operations). A total of 19 countries were unrepresented in both the Secretariat and in special political missions and peacekeeping operations;

(e) The key performance indicator on geographical distribution had not been achieved for three consecutive years. Among a total of 440 geographical appointments in 2022, 96 (22 per cent) of staff members were from unrepresented or underrepresented countries which, for the third consecutive year, did not meet the goal of 50 per cent;

(f) Eighteen heads of entity did not achieve the key performance indicator for geographical appointments included in their senior managers' compacts in 2022 (A/78/5 (Vol. I), para. 404).

72. Regarding the resident coordinator system specifically, the Board reviewed the geographical representation of the 113 resident coordinators in position as at 31 December 2022 and notes that the geographical representation of resident coordinators was concentrated within 13 countries, with 42 resident coordinators (37 per cent) from 8 countries in the Group of Western European and Other States. In respect of resident coordinator pool members, as at 31 December 2022 there were 189 resident coordinator pool members from 69 countries, which represented only 36 per cent of the total number of 193 Member States, and 92 of the pool members (49 per cent) were from the Group of Western European and Other States. The Board further reviewed the nationality distribution of the 189 resident coordinator pool members as at 31 December 2022 and notes that 13 countries accounted for 97 resident coordinator pool members (51 per cent), which was more than half of the total number of members (A/78/5 (Vol. I), paras. 493–494).

73. Upon enquiry, the Advisory Committee was informed that, in the past three consecutive years, the Board had paid attention to the geographical distribution of staff in the Secretariat and had noted that little progress had been made in terms of geographical representation. The Board stated that one important reason for the significant improvement in gender parity was that the Secretariat required that one of the three candidates should be a woman, while there was no similar effective policy

in the area of equitable geographical distribution, which had led to slow progress in that area.

74. The Advisory Committee was also informed by the Administration that equitable geographical representation was one of the key performance indicators in the delegation of authority monitoring framework. The performance target was that a minimum of 50 per cent of appointments against geographical posts should be of staff from unrepresented and underrepresented countries. Since 2022, with the lessons learned from the implementation of the geographical diversity strategy, the Office of Human Resources had continued its efforts to help the unrepresented and underrepresented Member States by building purposeful partnerships that were aimed at actively engaging with nationals from unrepresented and underrepresented Member States. One partnership agreement would be signed in 2023 and hopefully additional ones would be reached in 2024. A parallel approach was being pursued through arrangements with the resident coordinator system and the United Nations information centres in unrepresented and underrepresented Member States. A partnership agreement was signed in 2022 that was now being implemented. In addition, a pilot project was being conducted to build a database of online job boards that are used by nationals in unrepresented and underrepresented Member States. The Office had also started looking into automatizing the posting of jobs online by linking some of those boards to Inspira. This was planned to be completed in the first half of 2024.

75. **The Advisory Committee recalls that, in its first report on the proposed programme budget for 2024, it noted the imbalance of geographical representation of staff in a number of entities, expressed concerns over the posts encumbered by overrepresented Member States and trusted that efforts would be intensified to achieve equitable geographic representation of Member States among staff, in line with Article 101, paragraph 3, of the Charter of the United Nations, and recommended to the General Assembly to request the Secretary-General to use the vacancies, including due to retirements, which provided a concrete opportunity to address the imbalance (A/78/7, para. 53). The Committee reiterates the need for continuous and intensified efforts to achieve equitable geographical representation, including in the resident coordinator system, with a special focus on unrepresented or underrepresented Member States among the staff, in line with Article 101, paragraph 3, of the Charter of the United Nations (A/77/574, para. 58).**

C. Internal controls, delegation of authority, accountability and oversight

76. With respect to delegation of authority and the accountability framework, the Board recommends that the Administration expedite the review and release of the delegation of authority policy framework and put in place a more agile process to update that framework in response to changes to the wider policy framework. It also recommends that the Administration conduct a review of the existing key performance indicators to ensure that only those indicators measuring the impact of decisions are used for monitoring delegation of authority before the shift to Umoja Analytics, and conduct more granular and targeted analysis on the priority results of delegation of authority monitoring. The Board further recommends that the Administration enhance the first line of monitoring by making more frequent use of accountability indicator monitoring and measure progress in the next cycle of the statement of internal control (A/78/5 (Vol. I), paras. 455, 458 and 463).

77. On ICT specifically, the Board recommends that the Administration clarify the balance between the Office of Information and Communications Technology's central control and the entities' operational freedom in the procurement and management of

ICT assets as part of the proposed information and communications technology accountability framework, and that the Office should also establish standards and assessment methods when designating entities as ICT certified. It also recommends that the Administration include a clear definition of the roles and duties of the Chief Information and Technology Officer in the ICT governance framework and accountability framework. The Board also notes deficiencies in the accountability structure and coordination mechanism for the implementation of development reform initiatives, including the accountability of resident coordinators, and recommends that the Administration ensure that the accountability structure and coordination mechanism under the United Nations Sustainable Development Group is fully functional with regard to the implementation of the development reform initiatives (A/78/5 (Vol. I), paras. 505, 514, 588 and 591).

78. Upon enquiry, the Advisory Committee was informed by the Administration that improving the monitoring framework was a continuous process. The timing of the next major enhancement was planned as part of the move to Umoja Analytics as the reporting platform. The Administration had completed the first phase of the review of the existing 26 key performance indicators and would complete the full assessment and discuss the findings with the Board during its final audit of the United Nations as reported in volume I in early 2024 with a view to closing the recommendation. The Committee was also informed that the compact was also connected to delegation of authority, as managers are assessed on how their entity performed against key administrative performance indicators. Performance was tracked in real time through the accountability indicator monitoring tool, which comprised all the key performance indicators of the delegation of authority monitoring framework and was part of the management dashboard. The Under-Secretary-General for Management Strategy, Policy and Compliance also sent point-in-time quarterly performance reports to each head of entity to enable them to take corrective actions as required. The same data was used at the end of the annual performance cycle of senior managers as one of the centrally assessed indicators.

79. The Advisory Committee was further informed that the revised text of the Secretary-General's bulletin on delegation of authority (ST/SGB/2019/2) was in the final stage of legal review and was expected to be published by the end of 2023. Once the revised policy had been published, the revised delegation instrument would be issued to all heads of entities through the enhanced portal, which was in the final testing phase. The heads of entities would in turn further subdelegate authorities in the enhanced portal with the assistance of the Business Transformation and Accountability Division, which was expected to take place in the first half of 2024.

80. **The Advisory Committee looks forward to the issuance of the revised Secretary-General's bulletin (future ST/SGB/2019/2/Rev.1) and reiterates that increased delegated authority must be matched by enhanced transparency and accountability, and stresses the importance of timely and proactive action, in particular by the Department of Management Strategy, Policy and Compliance, to expand key performance indicators to ensure full coverage of key risks; provide operational guidance to support the exercise of delegated authority; monitor more closely the performance of entities, with special attention given to recurring deficiencies raised by the oversight bodies; and ensure accountability and timely remedial action to address underperformance. The Committee also reiterates the need for more effective oversight and accountability mechanisms, and greater compliance with regulations and rules to support enhanced mandate delivery across the audited entities (A/77/574, paras. 62–63).**

81. As regards oversight, the Advisory Committee notes certain issues related to the oversight mechanisms in some entities. It recalls that, in its first report on the proposed programme budget for 2024, it expressed concern that the Environment

Fund programme budget proposal had not been submitted by UNEP to the Committee for its review since 2016, in contravention of the Financial Rules of the Environment Fund and Associated Trust Funds of the United Nations Environment Programme (ST/SGB/2015/4, annex I). The Committee recommended that the General Assembly request UNEP to submit the Environment Fund programme budget proposal to the Committee for its review and to ensure full compliance with the Financial Rules of the Environment Fund and Associated Trust Funds of the United Nations Environment Programme. The Committee also makes observations related to the oversight of the resident coordinator system (A/78/7, paras. I.64 and IV.144).

82. Similarly, the Advisory Committee notes that the budget of the United Nations Capital Development Fund is not presented to the Committee and the Executive Board of UNDP, UNFPA and UNOPS, unlike the budget of UNDP. Upon enquiry, the Committee was informed that the Fund’s budget was presented together with that of UNDP until 2018, when the Board requested that the budgets be separated to avoid a consolidation requirement that would be required pursuant to IPSAS 35 if UNDP was deemed to be exercising control over the Fund. The Fund will discuss with the Executive Board concerning the requirement to present the budget starting from the next budget presentation cycle.

83. In its report on UNFPA, the Board notes deficiencies in the definition of the Oversight Advisory Committee’s role and recommends that UNFPA ensure the Committee’s independence by updating its terms of reference with the aim of aligning them with the International Standards for the Professional Practice of Internal Auditing and best practices (A/78/5/Add.8, para. 169). Upon enquiry, the Committee was informed by the Board that the current primary role of the Oversight Advisory Committee was aimed at advising management, which was not sufficient to fulfil the oversight assessment role, considering that oversight involved management and the fiduciary bodies such as the Evaluation Office, the Ethics Office and the Executive Board, among others. At present, the Oversight Advisory Committee reported directly to the Executive Director on the selection and appointment of its members, as well as their annual independent assessment role, which did not assure the independence between the Committee as a governing body and the management of UNFPA. UNFPA did not accept the recommendation. Upon enquiry, the Advisory Committee on Administrative and Budgetary Questions was informed by UNFPA that the Oversight Advisory Committee undertook structured and systematic reviews of the organization’s governance, risk management and internal control practices, including as they related to the independent oversight functions of audit and investigations, evaluation and ethics, in order to assist the Executive Director in fulfilling her oversight responsibilities. If implemented, the recommendation would deprive the Executive Director of the direct and first-hand advice that helped to improve the overall governance and oversight of UNFPA, including by the Executive Board, on an ongoing basis. Moreover, creating a new, second oversight advisory body reporting to the governing body would unnecessarily create an additional layer and duplicate the function and role of the Oversight Advisory Committee. Finally, UNFPA management was of the view that any change or recommendation for change to the Oversight Advisory Committee only made sense in the context of changes to other such committees across the United Nations, many of which had the same type of reporting lines as the UNFPA Oversight Advisory Committee. The Advisory Committee on Administrative and Budgetary Questions was also provided with information, upon enquiry, on the process by which the entities’ budgets were presented, considered and approved by their governing bodies, which indicated that different entities followed different procedures.

84. With respect to UNICEF, the Board recommends that the UNICEF Global Shared Services Centre engage with its clients to analyse the root causes of the high number of

returned and rejected cases. The Board also recommends that, based on the root-causes analysis, UNICEF, from an organization-wide perspective, take measures to ensure the integrity and quality of documents sent by the clients to the Centre. The Centre did not accept the recommendations, stating that the cases referred to by the audit team were within the acceptable parameters established by management to measure performance (A/78/5/Add.3, paras. 180–182). Upon enquiry, the Committee was informed by UNICEF that it confirmed and gave assurance to the Board that there were already several ongoing initiatives to provide capacity-building support to local focal points to work with offices to understand the causes of specific returned or rejected cases and to enable offices to monitor and proactively manage them. Furthermore, UNICEF management planned to discuss the matter with the Board and hopefully resolve it during the ongoing 2023 interim audit. **Noting the importance of the Board's audits in ensuring oversight, the Advisory Committee welcomes the efforts by UNICEF to engage further with the Board to resolve issues related to the recommendations.**

85. **The Advisory Committee emphasizes the importance of independent and effective oversight of the entities and trusts that the entities will strengthen efforts to ensure that mechanisms are in place to perform such oversight functions and to comply with the findings and decisions of oversight bodies. The Committee also trusts that future budget submissions will provide detailed information on the oversight mechanisms and intergovernmental approval processes of entities.** The Committee makes observations and recommendations in relation to the budget review process of the jointly financed entities in its first report on the proposed programme budget for 2024.

D. Status of implementation of the recommendations of the Board of Auditors

86. The Board indicates that the overall rate of implementation of the outstanding recommendations was 52.49 per cent in 2022, which remained similar to 2021. The rate increased by 5 per cent compared with 2020. As at 31 December 2022, the 18 entities covered in the Board's report had accumulated a total of 390 outstanding recommendations (373 under implementation and 17 not implemented). For 11 entities, the implementation rate was over 50 per cent. Four entities (the United Nations as reported in Volume I, ITC, the International Residual Mechanism for Criminal Tribunals and UN-Habitat) had an implementation rate below 50 per cent over the past three years. The Residual Mechanism had a very low implementation rate, at 24 per cent. The United Nations as reported in Volume I, UNOPS, UN-Habitat and UNDP had kept an increasing trend in their implementation rate in the past three years and the United Nations Capital Development Fund had kept a 100 per cent implementation rate for three consecutive years (A/78/215, paras. 260–262). **The Advisory Committee notes that the rate of implementation of the outstanding recommendations in 2022 was similar to 2021 and considers that strengthened efforts are required to improve the implementation rate. The Committee recalls that the General Assembly, in its resolution 76/235, again reiterated its request to the Secretary-General and the executive heads of the funds and programmes of the United Nations to ensure full implementation of the recommendations of the Board and the related recommendations of the Committee in a prompt and timely manner, to continue to hold programme managers accountable for the non-implementation of recommendations and to effectively address the root causes of the problems highlighted by the Board (see also A/77/574, para. 69).**

87. Upon enquiry, the Advisory Committee was informed by the Board that, of the past recommendations that were pending implementation, the following six issues and the corresponding recommendations merited further attention: (a) disclosure of

extrabudgetary resources in the programme budget; (b) budget redeployment and overholdings of vehicle and computing devices; (c) cost-recovery services; (d) funds utilization and surplus; (e) management of general temporary assistance; and (f) position management for the D-1 level and above. The Committee was also provided with table 4 showing the pending recommendations from the last five reporting periods that the Board considered to be critical and/or complex in that they involved multiple accountable entities and multi-stage schedules.

Table 4
Pending recommendations from the last five reporting periods considered by the Board of Auditors to be critical and/or complex

Report	*Year*	*Paragraph number*	*Text of recommendation*	*Responsible department or office*
A/76/5 (Vol. I)	2020	419	The Board recommends that the Administration review the policies on rosters, taking into consideration geographical diversity, gender parity and sunset clauses, to ensure rightsizing based on workforce planning forecasts, clarify accountability for maintaining rosters and formulate guidance for hiring managers on selecting rostered candidates.	Department of Management Strategy, Policy and Compliance and Department of Operational Support
A/76/5 (Vol. I)	2020	737	The Board reiterates its recommendation that the Administration enhance cross-department coordination to ensure strict compliance with the requirement of General Assembly resolution 69/262 and Secretary-General's bulletin ST/SGB/2016/11 relating to the ICT budget submission, and hold entities accountable for the submission of budgets and projects from all funding sources for all ICT initiatives and operations to the Office of Information and Communications Technology.	Office of Information and Communications Technology and Department of Management Strategy, Policy and Compliance
A/77/5 (Vol. I)	2021	283	The Board recommends that the Administration ensure all positions at the D-1 level and above to be established for a duration of more than one year are sufficiently reviewed and approved by the governing bodies.	Office for the Coordination of Humanitarian Affairs and Department of Management Strategy, Policy and Compliance
A/77/5 (Vol. I)	2021	295	The Board recommends that the Administration ensure that contracted personnel are performing assignments only when there is no expertise in the Organization and that core functions are performed by regular staff members.	Department of Management Strategy, Policy and Compliance, Office for the Coordination of Humanitarian Affairs, Development Coordination Office, United Nations Support Mission in Libya and Office of Information and Communications Technology
A/77/5 (Vol. I)	2021	304	The Board recommends that the Administration ensure that the established procedures for personnel selection are well monitored and duly documented to ensure transparency, fairness and competitiveness.	Department of Management Strategy, Policy and Compliance, Office for the Coordination of Humanitarian Affairs and Development Coordination Office

Report	*Year*	*Paragraph number*	*Text of recommendation*	*Responsible department or office*
A/77/5 (Vol. I)	2021	463	The Board recommends that the Administration develop an action plan to continue to promote adaption and integration in order to facilitate the efficient achievement of the "whole-of-pillar" approach.	Department of Political and Peacebuilding Affairs and Department of Peacekeeping Operations

88. The Advisory Committee was also informed that the Board was of the view that the appointment of an implementation coordinator could provide better coordination of the measures taken by the respective entities involved to ensure implementation of the recommendations. The Committee was informed by the Administration that the coordination of the responses on the implementation actions by the relevant entities was currently performed by the Oversight Coordination Section in the Business Transformation and Accountability Division. The Oversight Coordination Section performed its coordination role through a network of focal points of the oversight bodies who were nominated by all Secretariat entities. When required, for example with complex recommendations involving multiple entities, a lead department took on the overall coordination role for the implementation phase. **The Advisory Committee recalls the repeated request of the General Assembly that the Secretary-General provide full explanations of the delays in the implementation of the recommendations of the Board of Auditors, in particular for those that had not been fully implemented for two years or more (General Assembly resolution 76/235 A, para. 9). The Committee is also of the view that the appointment of an implementation coordinator would improve the rate of implementation of the recommendations of oversight bodies.**

89. Upon enquiry, the Advisory Committee was informed by the Board that with respect to the United Nations as reported in volume I, all the recommendations had been accepted and the Secretary-General had claimed full responsibility for implementing the recommendations. **The Advisory Committee welcomes the fact that the Administration has accepted all the recommendations and looks forward to their full and timely implementation. The Committee reiterates its recommendation that the General Assembly request the entities concerned to fully cooperate to the satisfaction of the Board of Auditors for the implementation of the recommendations that have been partially or not accepted (see also A/77/574, para. 71).**

IV. Other matters

A. Development reform

90. In its report on UNDP, the Board recommends that UNDP develop a strategy for its role as integrator in order to reposition itself vis-à-vis the resident coordinator and the United Nations development system as regards the development agenda, and articulate better with other priorities of the United Nations, including in the fields of peacekeeping operations and humanitarian affairs (A/78/5/Add.1, para. 139). Upon enquiry, the Advisory Committee was informed by the Board that its audit on the reform delinking the United Nations resident coordinator and the UNDP resident representative notably showed that it could be an opportunity for UNDP to refocus on its development mandate and take better advantage of its integrator role within the United Nations system. In particular, the integrator function appeared more like a slogan than a concept that had been thought through and articulated with the new resident coordinator role and the current operations of the entity. The Board suggested that this integrator

function should be better defined, articulated and operationalized in support of countries in their efforts to implement the 2030 Agenda for Sustainable Development, as stated in paragraph 32 of General Assembly resolution 72/279. The Committee was informed by UNDP that it would further clarify and utilize the opportunity to build more strategically upon the integrator function to further sharpen and consolidate the role of UNDP at the centre of the United Nations development agenda, based on its ability to establish special partnerships with other United Nations entities.

91. **The Advisory Committee recalls that in paragraph 32 of its resolution 72/279 the General Assembly requested the Secretary-General to ensure an effective and efficient transition to a repositioned United Nations development system, in particular to a reinvigorated resident coordinator system, including by giving due consideration to the role of a responsive UNDP as the support platform of the United Nations development system providing an integrator function in support of countries in their efforts to implement the 2030 Agenda. The Committee considers that the UNDP "integrator" function is a policy matter to be considered by the General Assembly and the Economic and Social Council and trusts that the Administration will provide clarity on the mandate and detailed justifications to the Assembly at the time of its consideration of the present report.**

92. The Board also recommends that UNDP conduct a comprehensive analysis of both the human resources and the financial consequences of the delinking reform at UNDP. This information would form the basis of UNDP reporting to its Executive Board and to the quadrennial comprehensive policy review of operational activities of the United Nations system. The Administration accepted the recommendation but considered that the information should not form the basis for reporting to the Executive Board and the quadrennial comprehensive policy review (A/78/5/Add.1, paras. 118–120). Upon enquiry, the Advisory Committee was informed by the Board that the delinking reform had changed the positioning of UNDP at the country level, which should lead to a strategic repositioning along the lines of redefining the priorities and content of the UNDP back- and front-office functions. The Board noted that the strategic repositioning had not yet been thought through. The Board recommended a strengthening of the governance of UNDP, in particular through an enhanced involvement of the Executive Board in discussions related to strategic risks. Back-office services currently provided by UNDP were wide ranging and included procurement, payroll, accounting, administrative and financial services that were rendered at the country level, at headquarters or in global shared service centres. Disengaging in countries where the presence of UNDP either appeared too light to carry out such shared administrative back-office services or would no longer be justified by its development mandate was an option that UNDP could explore more. The Committee was informed by UNDP that it had traditionally played a central role in providing administrative and financial back-office services to the United Nations system, which was dependent on its presence. That function of service provider had developed as a natural consequence of the "universal" presence of UNDP in the field, especially for entities without a presence (non-resident agencies). Those services remained independent of the resident coordinator system and coordination among United Nations country team members, as they related to UNDP assets, universal presence, capacities and expertise.

93. **The Advisory Committee concurs with the Board's recommendation and trusts that UNDP will conduct a comprehensive analysis of both the human resources and the financial consequences of the "delinking" reform at UNDP, including the financial implications related to posts transitioned from UNDP to the Secretariat. The Committee also trusts that detailed information and the results of the analysis will be provided to the Executive Board and the quadrennial comprehensive policy review.**

B. Partnerships

94. The Board highlights certain risks related to partnerships involving United Nations entities, including implementing partners and private sector partnerships. For example, it recommends that UNEP reinforce its procedures for the review of critical risk level entities in compliance with the regulation of the updated programme and project management manual and revised partnership policy and procedures, and rigorously form the partnership in accordance with the results of due diligence and risk assessments to reduce the likelihood of reputational risk posed to UNEP (A/78/5/Add.7, para. 80). The Board also recommends that UN-Women strengthen the process for assessing private sector partners, by clearly defining decision-making aspects and their actions to be followed, key concepts and the frequency in which an event could occur and may impact the Entity, aiming to enable a more efficient and refined company risk categorization (A/78/5/Add.12, para. 95).

95. Upon enquiry, the Advisory Committee was informed by the Board of two distinct areas of importance when analysing the relationship established by the United Nations entities with external partners. The first was related to the execution of projects, where cash transfers were made from the entities to implementing partners. In general, the funds and programmes were well aware of the high risks associated with implementing partners and their critical role in delivering programmes. Most of them had put in place monitoring platforms, conducted regular reviews of assurance activities and provided guidance to management at various stages of the process to mitigate the risks associated with implementing partners. The second was related to the search for financial resources from the private sector, which should be reviewed from the perspective of internal and external control in order to promote an optimal balance between innovation and prudence, allowing United Nations entities to adapt to their environment in harmony with the various interests of their stakeholders. The United Nations system as a whole should establish standard criteria to enable the various entities of the system to define risk-based decision-making processes.

96. The Advisory Committee was informed by UNEP that its partnerships fell into four key modalities, namely, implementation partnerships, cooperation partnerships, multi-stakeholder partnerships, and donor partnerships. Each of the partnership modalities needed to contribute to established projects linked to the UNEP programme of work. The UNEP partnership portal was the system, and repository, through which UNEP undertook due diligence concerning its partners and generated legal instruments for signature with the partners. For implementation partnerships, the UNEP partnership portal would be supplemented by the Umoja implementing partner module and the United Nations partner portal from 2024 onward. The risk mitigation plan was used to document the potential risks identified during due diligence reviews and the partner screening process on how substantive UNEP partnership leads and responsible officers could mitigate the perceived risks. The partnership committee reviewed the risk mitigation plan for all private sector partnerships labelled as medium or high risk.

97. **The Advisory Committee concurs with the Board's recommendations and encourages entities to review their partnership policies and procedures, as well as decision-making processes, to ensure that risk to the Organization from partnerships, including implementing partners and private sector partnerships, is minimized.**

C. Fraud and presumptive fraud

98. While the Board acknowledges that there are differences in how each entity manages information regarding fraud and presumptive fraud, the Board has attempted

to harmonize the information disclosed by the entities. Table 9 of the concise summary (A/78/215) shows the cases of fraud or presumptive fraud reported annually by the entities for three consecutive years from 2020 to 2022 and the number of cases pending for more than two years. The Board noted that 12 of the 18 entities had reported cases of fraud or presumptive fraud in each of the past two years. Of those entities, five had seen a decrease in cases of fraud and presumptive fraud in 2022 compared with the previous year, whereas the remaining six had seen an increase in that respect. The United Nations Capital Development Fund reported one case in both 2021 and 2022. The total number of cases has increased over the past three years, from 712 in 2020 to 717 in 2022. Of those cases, 216, involving 10 entities, have remained pending for more than two years. Among those 216 cases, the United Nations as reported in volume I, UNFPA and UNICEF account for 20 per cent, 36 per cent and 14 per cent, respectively (A/78/215, paras. 48–50). For volume I, the Administration reported 108 cases of fraud or presumptive fraud for 2022, with an estimated amount of $3.28 million in 23 cases. The Administration informed the Board that the process for reporting on cases of fraud or presumptive fraud had been improved and most of the cases were reported in a timely manner, except for eight cases (A/78/5 (Vol. I), paras. 612–613).

99. **The Advisory Committee stresses the importance of preventing, monitoring and addressing instances of fraud and presumptive fraud, including through accountability measures, where appropriate. The Committee notes the persistent lack of consistency in the reporting of fraud-related matters and recalls that the General Assembly, in endorsing the Committee's recommendation, requested the Secretary-General to ensure that all cases of fraud and presumptive fraud are reported in a transparent and consistent manner, including through the issuance of comprehensive guidance and reporting mechanisms (see also A/77/574, para. 79).**

D. Consideration of the Joint Inspection Unit, International Civil Service Commission and United Nations System Chief Executives Board for Coordination budgets by the governing bodies of United Nations entities

100. Upon enquiry based on the reports of the Board, the Advisory Committee was informed about the consideration and approval process of the contribution to the budgets of the International Civil Service Commission (ICSC), the Joint Inspection Unit and the United Nations System Chief Executives Board for Coordination (CEB) from the following organizations (see also A/78/6 (Sect. 31)):

(a) The UNICEF Executive Board does not separately approve the share of UNICEF of the ICSC, Joint Inspection Unit and CEB budgets. Those costs are covered from the UNICEF institutional budget and other funding sources that are included in the integrated budget document, which is approved by the UNICEF Executive Board;

(b) The UNDP integrated resources plan and integrated budget estimates, 2022–2025 (DP/2021/29) constitute an integral complement to the UNDP strategic plan, 2022–2025 (DP/2021/28). The UNDP Financial Regulations and Rules set out the requirements for the fixed, multi-year period of the integrated financial framework. The integrated resources plan covers the totality of resources at the disposal of UNDP, including regular and other resources, and the totality of activities to be carried out; as such, it constitutes a comprehensive and integrated financial framework for the period 2022–2025. Financial estimates are presented in line with the cost-classification categories harmonized with UNFPA, UNICEF and UN-Women as approved by the Executive Board, most recently in decision 2020/12. In line with the UNDP Financial Regulations and Rules, the institutional component of the integrated resources plan and integrated budget is reviewed by the Advisory Committee, whose report is shared with the UNDP Executive Board (DP/2021/30). The Executive Board takes note of the integrated resources plan, as it includes expenditures from other resources that are incurred based on funding agreements signed with donors. The integrated budget, which captures the regular resources-related portion of the integrated resources plan, is fully regulated by Executive Board mandates and therefore submitted for approval. UNDP presents quadrennial budgets to its governing body, the Executive Board, for consideration and approval, rather than annual budgets. As a result, UNDP cannot provide information concerning approval for the past three years;

(c) The UNFPA share of all jointly funded activities budgets, including those of ICSC, the Joint Inspection Unit and CEB, are submitted to the UNFPA Executive Board for approval as part of the overall integrated budget proposal. Given the quadrennial cycle of the UNFPA integrated budget, aligned with its strategic plan, the Executive Board has approved the budget for 2022–2025 in decision 2021/18;

(d) UNOPS funds its share of the jointly financed activities of ICSC, the Joint Inspection Unit and CEB through its indirect cost budget in line with the harmonized cost-recovery guidance by the Finance and Budget Network. The budget estimates for indirect costs are approved by the Executive Board followed by the review by the Advisory Committee. The budget estimates include a table with a breakdown by expense category, where the funding of the jointly financed activities for ICSC, the Joint Inspection Unit and CEB are embedded in the expense category of "reimbursements", with estimated amounts based on the available information at the time of the formulation of the budget estimates. The final budget for the funding of the UNOPS share of the jointly financed activities of ICSC, the Joint Inspection Unit and CEB is approved through the annual budget review process within UNOPS, where the Chief Financial Officer reviews and the Executive Director approves the final budget. The jointly financed activities of ICSC, the Joint Inspection Unit and CEB are identified as independent budget lines in that internal process and are based on the latest available information through the Finance and Budget Network. The UNOPS Chief Financial Officer and Deputy Chief Financial Officer are members of the Finance and Budget Network, and therefore participate in reviewing the budget submissions for the jointly financed activities, such as ICSC, the Joint Inspection Unit and CEB;

(e) The governing body of UN-Women, the Executive Board, approves the share as part of the integrated budget submission on a biennial basis. This share is reflected as part of the institutional budget appropriation and is not distinctly identified as part of the approval.

E. Delay in the strategic heritage plan

101. The expected completion of the works, initially approved in 2015 to be ended in 2023, has been extended to December 2025, according to the strategic heritage plan team. Actual completion might potentially take until July 2026, according to an independent risk analysis. These delays are due in part to external events (including the COVID-19 pandemic and material and labour shortages), but also to the many changes made to the project and to protracted delays in change management processes. The Board indicates that this delay necessitates an extension of the audit work of the Board. Currently, the Board has agreed to submit its final report in 2024 (A/73/157, para. 4). An extension allowing for the submission of a separate audit report in 2026 appears necessary to comply with General Assembly resolution 68/247 A (A/78/5 (Vol. I), paras. 297–298).

Annex

Financial reports, audited financial statements and reports of the Board of Auditors for the financial period ended 31 December 2022 and related reports considered by the Advisory Committee on Administrative and Budgetary Questions

Reports of the Board of Auditors

1. Concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors for the annual financial period 2022 (A/78/215)
2. United Nations (A/78/5 (Vol. I))
3. International Trade Centre (A/78/5 (Vol. III))
4. United Nations University (A/78/5 (Vol. IV))
5. United Nations Development Programme (A/78/5/Add.1)
6. United Nations Capital Development Fund (A/78/5/Add.2)
7. United Nations Children's Fund (A/78/5/Add.3)
8. United Nations Relief and Works Agency for Palestine Refugees in the Near East (A/78/5/Add.4)
9. United Nations Institute for Training and Research (A/78/5/Add.5)
10. Voluntary funds administered by the United Nations High Commissioner for Refugees (A/78/5/Add.6)
11. Fund of the United Nations Environment Programme (A/78/5/Add.7)
12. United Nations Population Fund (A/78/5/Add.8)
13. United Nations Human Settlements Programme (A/78/5/Add.9)
14. United Nations Office on Drugs and Crime (A/78/5/Add.10)
15. United Nations Office for Project Services (A/78/5/Add.11)
16. United Nations Entity for Gender Equality and the Empowerment of Women (A/78/5/Add.12)
17. International Residual Mechanism for Criminal Tribunals (A/78/5/Add.15)
18. United Nations Joint Staff Pension Fund (A/78/5/Add.16)

Related reports

19. Report of the Secretary-General on the implementation of the recommendations of the Board of Auditors contained in its report for the year ended 31 December 2022 on the United Nations (A/78/333)
20. Report of the Secretary-General on the implementation of the recommendations of the Board of Auditors contained in its reports on the United Nations funds and programmes for the year ended 31 December 2022 (A/78/333/Add.1)