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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 2020

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 2020, 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 2020;

(b) Seventeen financial reports and audited financial statements and reports of the Board of Auditors for the financial period ended 31 December 2020 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

[1] 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 Office for Project Services (UNOPS), the United Nations Office on Drugs and Crime (UNODC), United Nations peacekeeping operations, the United Nations Population Fund (UNFPA), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the United Nations and United Nations University (UNU). The United Nations Joint Staff Pension Fund is not included because it follows a different accounting standard.

31 December 2020 on the United Nations and on the United Nations funds and programmes.

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

2. The Advisory Committee will reflect its comments and recommendations on certain topics in separate reports. The Committee considered the report of the Board of Auditors on the United Nations peacekeeping operations for the period from 1 July 2019 to 30 June 2020 in a dedicated report (A/75/829). The Committee also considered the reports of the Board on the enterprise resource planning system of the United Nations (A/76/131) in the report of the Committee on the final progress report on the enterprise resource planning project. In addition, the key findings and recommendations of the Board on the United Nations Joint Staff Pension Fund contained in its report (A/76/5/Add.16) are discussed in the report of the Committee on the Pension Fund.

3. During its consideration of the reports, the Advisory Committee met virtually with members of the Audit Operations Committee of the Board of Auditors, who provided additional information and clarification, concluding with written responses received on 14 October 2021. The Committee also met virtually 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 15 November 2021.

4. Upon enquiry, the Advisory Committee was informed that, owing to the restrictions resulting from the coronavirus (COVID-19) pandemic, the audit of the United Nations (Vol. I) was conducted through a combination of remote and field audits, while the audits for the remaining entities were conducted remotely. The Committee was also informed that remote audits had complicated the communication process and the collection of audit evidence, and that they were performed as an exception and should not be viewed as a standard occurrence in the future.

5. In its concise summary, the Board of Auditors provided an overview of the impact of COVID-19 in cross-cutting areas, including financial impacts, internal process adjustments and fraud risk assessment, based on information collected from the reports of the Board and a questionnaire issued to the entities (A/76/173, paras. 224–303).

6. **The Advisory Committee commends the Board of Auditors for the continued high quality of its reports, notwithstanding the challenges related to the COVID-19 pandemic. The Committee also reiterates its appreciation for the valuable cross-cutting information contained in the concise summary and welcomes the inclusion of information on the impact of COVID-19 across United Nations entities (see also A/75/539, para. 5). The Committee notes the exceptional nature of remote audits and encourages the Board to resume in-person audits as circumstances so allow.**

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 that the United Nations Office for Project Services (UNOPS) and the United Nations Population Fund (UNFPA) received an unqualified opinion, with an emphasis of matter. The emphasis of matter in UNOPS related to the risk exposure of its Sustainable Investments in Infrastructure and Innovation initiative with seven special purpose vehicles, all affiliated with one entity, and a related expected credit loss of $22.19 million, which had been reflected in its 2020 financial statements (A/76/5/Add.11, chap. I, and paras. 33–59; see also paras. 32–36 below). As regards UNFPA, an emphasis of matter was included in the

Board's report for 2019, owing to deficiencies in the monitoring of assurance activities of implementing partners related to COVID-19. The audit opinion was not modified in 2020 (A/76/5/Add.8, para. 26; see also para. 43 below). **While noting the emphasis of matter, the Advisory Committee welcomes the fact that all entities under review have again received unqualified audit opinions from the Board of Auditors, notwithstanding the challenges and uncertainties resulting from the COVID-19 pandemic (see also A/75/539, para. 6).**

III. Major findings of the Board of Auditors

A. Main observations

1. Financial situation of the audited entities

8. In its concise summary, the Board of Auditors noted that, of the 17 audited entities, 12 had closed the financial year with a surplus, while 5[2] had recorded a deficit, 2 of which (the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and the International Residual Mechanism for Criminal Tribunals) had also recorded a deficit in the previous financial year (A/76/173, para. 6). Furthermore, 15 audited entities showed positive net assets and 2 entities (the International Trade Centre (ITC) and UNRWA) showed negative net assets for the second consecutive year, attributable mainly to an operating loss and a net actuarial loss on employee benefit liabilities recognized in net assets (ibid., para. 9). According to the Board, a ratio above 1 indicates an entity's ability to meet its overall obligations.[3] Of the audited entities, two had an assets-to-liabilities ratio below or at 1 (ITC, at 0.88, and UNRWA, at 0.80) and the remaining entities had ratios above 1 (ibid., para. 17).

9. The Board of Auditors indicated that, in general, the financial position of all entities remained at least sufficient. The solvency ratios and liquidity ratios were comfortably high for most of the entities (with the exception of United Nations peacekeeping operations), and, in the case of those entities for which the ratios were near or below 1, there was no immediate threat to their solvency. However, the Board noted that the liquidity ratios of 11 entities[4] had decreased compared with the previous year, and it was possible that, in the short term, there might be pressure on the liquidity side (ibid., para. 20). The Board also indicated that the COVID-19 pandemic had not had a heavy impact on the financial situation of the entities in 2020, although, owing to its inherent risks, it might have an impact on their future liquidity risks. Four entities (the United Nations Human Settlements Programme (UN-Habitat), the United Nations Institute for Training and Research (UNITAR), the United Nations Office on Drugs and Crime and UNRWA) declared that they had suffered significant impacts on revenue owing to the premature termination of projects by donors and/or major reductions in voluntary contributions as a consequence of changes in donor priorities due to the pandemic (ibid., paras. 277 and 287; see also paras. 13–14 below on UNRWA liquidity).

[2] ITC, the International Residual Mechanism for Criminal Tribunals, the United Nations Capital Development Fund, UNITAR and UNRWA.

[3] The Board of Auditors discussed International Public Sector Accounting Standards financial ratios: assets to liabilities ratio (total assets to total liabilities), current ratio (current assets to current liabilities); quick ratio (cash + short-term investments + accounts receivable to current liabilities); and cash ratio (cash + short-term investments to current liabilities). The assets to liabilities ratio and the current ratio are solvency ratios, and the quick ratio and the cash ratio are the liquidity ratios.

[4] The International Residual Mechanism for Criminal Tribunals, UNFPA, UN-Habitat, UNICEF, UNITAR, UNODC, UNRWA, UNU, the United Nations (Vol. I), the United Nations Capital Development Fund and United Nations peacekeeping operations.

10. The Board of Auditors noted that the total revenue for the United Nations (Vol. I) amounted to $6.85 billion, down slightly from $6.90 billion in 2019, due mainly to a decrease of $57.21 million in assessed contributions from Member States and a decrease of $92.57 million in voluntary contributions, offset in part by an increase of $100 million in other revenue. The total amount of expenses was $6.77 billion, reflecting an increase of approximately 2 per cent compared with $6.65 billion in 2019, owing mainly to the increase in grants and other transfers, from $1.98 billion in 2019 to $2.22 billion in 2020. The net assets decreased by $256.45 million, or 11 per cent, to $2.17 billion as at 31 December 2020, compared with the previous year, owing mainly to actuarial losses on employee benefits liabilities ($321.69 million), offset in part by the surplus for the year ($74.54 million) (A76/5 (Vol. I), paras. 16–17; see also para. 12 below).

11. **The Advisory Committee acknowledges from the conclusion of the Board of Auditors that the overall financial position of the audited entities was sufficient as at 31 December 2020. The Committee reiterates its appreciation for the financial analysis of the Board and encourages the Board to include comparative data and analysis in its future reports (see also A/75/539, para. 9).**

2. Liquidity management

12. In Volume I, the Board of Auditors noted that the overall financial situation in the United Nations for the year 2020 was relatively healthy, and the Board had no major concerns (A/76/5 (Vol. I), para. 19). However, for regular budget and related funds, the cash ratio was 0.07, 0.06 and 0.26 at the end of 2018, 2019 and 2020, respectively, indicating some liquidity risk. Cash shortages were observed from May to November 2020, owing mainly to delays in the payment of assessed contributions. The Administration took measures with respect to the liquidity constraints, including the gradual release of budgets in line with projected cash inflows, careful management of recruitment and vacancy rates, the postponement of non-post expenses, the negotiation of delayed cash payments to United Nations system entities, the deferral of intra-organization cash settlements, and borrowing money from the Working Capital Fund and the United Nations Special Account. The regular budget borrowed from the Special Account in the amount of $172.76 million, $202.76 million, and $56 million, respectively, in 2018, 2019 and 2020 (ibid., paras. 20–25). **The Advisory Committee discusses matters related to liquidity in its report on the financial performance report on the programme budget for 2020 (A/76/7/Add.16) and on its report on improving the financial situation of the United Nations (A/76/429).**

Central Emergency Response Fund loans provided to the United Nations Relief and Works Agency for Palestine Refugees in the Near East

13. In Volume I, the Board of Auditors indicated that, in November 2019, the Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator had released $20 million in loans from the grant element of the Central Emergency Response Fund to UNRWA, which the Board found to be not strictly in compliance with General Assembly resolution 66/119 and the Secretary-General's bulletin on the establishment and operation of the Fund (ST/SGB/2010/5). The Board also noted that, during the 2016–2020 period, $135 million in loans (representing 77 per cent of the Fund's loans) were provided to UNRWA as a long-term source of funding, which would affect the flexibility of the Fund's loan element as a cash-flow mechanism. The Board therefore recommended tighter compliance with resolution 66/119 and ST/SGB/2010/5 and that the Fund's loans be utilized as a mechanism for mitigating ad hoc cash-flow gaps to ensure the rapid and coordinated response to humanitarian emergencies, rather than for addressing systemic cash-flow problems for specific agencies (A/76/5 (Vol. I), paras. 656–663).

14. Upon enquiry, the Advisory Committee was informed by the Administration that the recommendations, although addressed to the United Nations, had a direct impact on UNRWA. Over the past few years, the Agency faced significant underfunding and cash-flow problems, and without the cash-flow support from the Central Emergency Response Fund loans, it would have not been able to maintain its humanitarian activities without significant disruptions. The Committee was also informed that UNRWA continued to take risk mitigation measures, such as cost-control measures and efforts to diversify its donor base, and that all the loans from the Fund had been repaid in full. **The Advisory Committee notes the recommendations of the Board of Auditors on the Central Emergency Response Fund loans and is of the view that, owing to the significant underfunding of UNRWA, without the cash-flow support from the loans, its humanitarian operations will be negatively affected. The Committee trusts that the Board will provide additional clarification to the General Assembly at the time of its consideration of the present report.**

3. Surplus from cost-recovery services

15. With respect to the United Nations (Vol. I), the Board of Auditors noted a steady increase in the accumulated surplus (or net assets) of the cost-recovery fund (i.e., fund 10RCR), with an amount of $407.95 million as at 31 December 2020, representing an increase of 108 per cent compared with the end of 2016. The regular budget was the biggest funding source for fund 10RCR, accounting for 30 per cent of its total revenue in 2020. United Nations Headquarters had the largest accumulated surplus, namely, $219.88 million, or 54 per cent of the total accumulated surplus. Most of the accumulated surplus was included in the United Nations cash pool. The Board was of the view that the cost-recovery service rate should be kept at a minimum level to cover the associated expenditure and recommended that the Administration enhance the performance of fund utilization under the cost-recovery fund (A/76/173, para. 59, and, A/76/5 (Vol. I), paras. 26–31). Upon enquiry, the Advisory Committee was informed by the Administration that a comprehensive policy on cost recovery was expected by the end of 2021. **The Advisory Committee shares the view of the Board of Auditors that cost-recovery service rates should be kept at the minimum level necessary to cover the related expenditure and concurs with the Board that the performance of fund utilization under the cost-recovery fund should be enhanced. Furthermore, the Committee considers that the steady increase in accumulated surplus generated through the cost-recovery services merits further analysis, including regarding its root causes, the appropriateness of the service fee rates and whether these amounts might constitute income revenue that should be credited to Member States. The Committee looks forward to reviewing the comprehensive policy on cost recovery and receiving additional clarity, including on the use of the resources recovered, in the context of the next programme budget submission. The Committee trusts that the Board will continue to keep this matter under review.**

16. The Board of Auditors also discussed surplus from cost-recovery services in its report on UNOPS. The Board noted that UNOPS, which is a self-financing entity that operates on the basis of full cost recovery by charging its clients fees for the services rendered, had continued to deliver an overall surplus with regard to its operations. In 2020, the surplus amounted to $39.5 million (including $28.5 million from operations surplus and $11.0 million from net finance income), and, in 2019, to $47.14 million (A/76/5/Add.11, para. 10). The annual net surplus achieved had also led to the significant growth of UNOPS operational reserve beyond the established levels (see also para. 30 below). The Board found issues regarding UNOPS management fees and fee increments, including the following: unspecific policy of the cost-recovery model for engagements relating to memorandums of understanding, unclear standard and inadequate justification in the risk increment calculation process, and pricing deviations of engagements without granted exceptions (ibid., paras. 60–80). Upon

enquiry, the Advisory Committee was informed that the UNOPS Executive Board had requested the entity to reassess and establish management fees at a level that would not accumulate surpluses above the realistically assessed operational reserves (see also para. 30 below). **The Advisory Committee concurs with the recommendations of the Board of Auditors on the management of UNOPS client fees.**

4. Deficiencies in the creation of fund commitments

17. In its report on the United Nations (Vol. I), the Board of Auditors indicated that the balance of open commitments for the financial year ended 31 December 2020 was $219.53 million, of which 479 fund commitments totalling $122.85 million (56 per cent) had been established at year end with a posting date of 30 December or 31 December 2020. The Board noted that 23 fund commitments, with a total balance of $116.66 million, had been established with no supporting documents in December 2020 and that only approving officers, and not certifying officers, had been involved in their creation, which did not comply with the requirements of the Financial Regulations and Rules of the United Nations. Similar fund commitments were also raised in the 2019 financial statements (A/76/5 (Vol. I), paras. 59–60). Upon enquiry, the Advisory Committee received the table below, which contains a list of special fund commitments.

List of special fund commitments

A20 special fund commitments	
Commitment No.	*Amount*
3100026738	27 553 370.00
3100026739	43 573 301.00
3100026740	3 800 000.00
3100026741	1 599 500.00
3100026794	4 041 101.00
3100026796	2 299 500.00
3100026797	8 063 220.00
3100026918	5 631 116.00
3100027225	677 100.00
3100027242	434 000.00
3100027390	200 000.00
3100027391	1 200 000.00
3100027392	200 000.00
3100027393	4 875 000.00
3100027394	600 000.00
3100027588	692 219.34
3100027589	295 000.00
3100027590	315 000.00
3100027591	3 650 000.00
3100027592	4 885 000.00
3100027593	1 640 000.00
3100027594	340 000.00
3100027610	100 000.00
Total	**116 664 427.34**

18. The Advisory Committee was informed, upon enquiry, that the Board of Auditors had not been provided by the Administration with the requested detailed list of the 23 fund commitments, the supporting documents recording the decision process and the related expenditure.

19. The Administration indicated to the Board of Auditors that the decision to raise fund commitments in both 2019 and 2020 by introducing a special process was made, among others, in consideration of the liquidity environment, the tight reporting deadlines and the lagging budget implementation due to liquidity constraints and the COVID-19 pandemic (ibid., para. 60).

20. The Board of Auditors expressed concern regarding the high number of year-end fund commitments through the introduction of a new process, as well as the insufficient recording of decision-making processes. The Board therefore recommended that the Administration issue guidance on the creation and usage of fund commitments, and centrally monitor and regularly review the fund commitments to ensure that they were administered pursuant to the Financial Regulations and Rules of the United Nations (ibid., paras. 62–63). **The Advisory Committee concurs with the recommendations of the Board of Auditors and provides further comments in its report on the financial performance report on the programme budget for 2020 (A/76/7/Add.16).**

5. Significant variances between planned and actual extrabudgetary posts and insufficient disclosure of extrabudgetary resources

21. With respect to the United Nations (Vol. I), the Board of Auditors noted significant variances between planned and actual extrabudgetary posts in some departments. For example, over the past three years, actual extrabudgetary posts of the Department of Management Strategy, Policy and Compliance were some 170 per cent of the extrabudgetary planned posts. Similarly, in the Department of Political and Peacebuilding Affairs, actual extrabudgetary posts were approximately 135 per cent of the extrabudgetary planned posts (A/76/5 (Vol. I), paras. 86–91). The Advisory Committee requested but was not provided by the Administration with a full list of the 193 extrabudgetary posts that existed in the Department Management Strategy, Policy and Compliance as of April 2021.

22. In addition, the Board of Auditors noted that only the financial resources and posts funded through the regular budget had been disclosed and formulated for each subprogramme in the proposed programme budget for 2020 and that no such disclosures had been made for those funded through extrabudgetary contributions (ibid., para. 66). Upon enquiry, the Advisory Committee was informed that the Board had conducted a preliminary review of the 2022 programme budget and considered that the disclosure of extrabudgetary resources remained insufficient and that it would review the matter in its 2021 audit.

23. The Board of Auditors recommended that the Administration intensify its efforts to review more strictly estimated extrabudgetary posts in the proposed programme budget and to disclose sufficiently the extrabudgetary resources, so as to enable enhanced oversight, transparency and accountability (ibid., paras. 68, and 89–90). **The Advisory Committee recalls that the General Assembly has repeatedly stressed that all extrabudgetary posts must be administered and managed with the same rigour as regular budget posts and that extrabudgetary resources shall be used in line with the policies, aims and activities of the Organization. The Assembly also requested the Secretary-General to provide information on the financial and human resource implications of the use of extrabudgetary resources in the Organization in his next proposed programme budget (see resolution 75/252, paras. 13–14). The Committee concurs with the recommendations of the Board of**

Auditors and again stresses the need for greater transparency and more comprehensive information on extrabudgetary resources for each subprogramme of the programme budget (see also A/76/7, para. 81). The Committee will make further observations in the context of the report of the Secretary-General on improving the financial situation of the United Nations (A/76/429).

6. Cash and investment management

24. As at 31 December 2021, the United Nations Treasury managed cash and investments of $9.59 billion in an investment pool comprising eight audited entities.[5] In addition, the United Nations Development Programme (UNDP) managed investments of $11.51 billion for its own programme and for the United Nations Capital Development Fund, UNFPA, UNITAR and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women). Four entities (the Office of the United Nations High Commissioner for Refugees, the United Nations Children's Fund (UNICEF), UNOPS and UNRWA) had a total of $12.17 billion of cash and investments that were not pooled or managed by others. In general, investments were increasing. Cash and investments represented more than half of the total assets for nine entities[6] (A/76/173, paras. 21–25).

Centralized treasury investment management and operational reserves benchmarks

25. In its resolution 75/242, the General Assembly, endorsing the recommendation of the Advisory Committee, requested that the Secretary-General, in his role as Chair of the United Nations System Chief Executives Board for Coordination (CEB), present viable options for a centralized treasury investment management function of the United Nations system and facilitate the development of reasonable benchmarks for minimum and maximum levels of the operational reserves for the United Nations system. In addition, a status update thereon was to be provided in the next financial statements (see also A/75/539, para. 18). **The Advisory Committee is concerned that the Secretary-General did not implement the decisions taken by the General Assembly in its resolutions 75/242, 74/249 and 73/268 on these issues and did not include a status update in the financial statements.**

26. The Advisory Committee, upon enquiry, was informed that the Administration intended to provide updated information on both issues in future reports of the Secretary-General.

27. With regard to the centralized treasury investment management function, the Advisory Committee, upon enquiry, was informed by the Administration that, in November 2021, the Finance and Budget Network of the High-level Committee on Management, having considered the recommendations of the Working Group on Common Treasury Services, had concluded that the centralization of the treasury investment function was not a viable option with associated savings, on the basis of the results of a survey on existing investment activities and technical considerations on organizational differences in key investment criteria and risk management, strategic asset allocation and returns on investment. The Working Group would nevertheless continue to assess and review best practices in investment management and build upon collaborative approaches for achieving system-wide efficiencies and savings (see para. 29 below).

28. The Advisory Committee was further informed, upon enquiry, that, in November 2021, the Finance and Budget Network had also endorsed the conclusions and

[5] ITC, the International Residual Mechanism for Criminal Tribunals, UNEP, UN-Habitat, UNODC, UNU, the United Nations (Vol. I) and United Nations peacekeeping operations.

[6] The International Residual Mechanism for Criminal Tribunals, UNDP, UNFPA, UNITAR, UNODC, UNOPS, UNU, UN-Women and the United Nations Capital Development Fund.

recommendations contained in the draft report of a cross-entity working group on operational reserves co-led by the World Food Programme and UNOPS on reasonable benchmarks for minimum and maximum levels of operational reserves of United Nations system entities. The Committee was informed that the report provided guidance on an overall approach for establishing and reviewing operational reserves and target levels. The guidance was not prescriptive for the entities, and entities that wished to use it should carefully consider their own unique risk landscape and existing institutional and governance arrangements, among other aspects. The Committee did not receive detailed information on the actual benchmarks and levels of operational reserves (see para. 29 below).

29. **Pending receipt of the reports of the Secretary-General on these matters (see para. 26 above), the Advisory Committee reiterates its recommendations that the General Assembly request the Secretary-General, in his role as Chair of CEB, to present viable options for a centralized treasury investment management function of the United Nations system and facilitate the development of reasonable benchmarks for minimum and maximum levels of the operational reserves for the United Nations system. The Committee looks forward to a status update thereon in the next financial statements (see also A/75/539, para. 18, A/74/528, paras. 14 and 16, A/73/430, paras. 16 and 18, and A/72/537, para. 11).**

30. With respect to UNOPS, the Board of Auditors noted that the actual volume of its operational reserve had grown considerably beyond the level established by its Executive Board, owing to an annual net surplus achieved by the entity in recent years (see para. 16 above). The Board had previously recommended that UNOPS review its required minimum operational reserves and adhere to its policy of full cost recovery, so that its operational risks were met effectively and surpluses were not accumulated over and above the realistically assessed operational reserves (A/75/5/Add.11, para. 23). The Advisory Committee was informed, upon enquiry, that during its second regular session of 2021, the Executive Board of UNOPS had requested that UNOPS address the recommendations previously made by the Committee (DP/OPS/2021/7), including providing prudent budget estimates and detailed information on their calculation, reassessing and establishing management fees at levels that do not accumulate surpluses over and above the realistically assessed operational reserves, reporting back to the Executive Board in 2022, and reflecting any changes in the budget estimates for 2024–2025. **The Advisory Committee looks forward to the implementation of the decision of the Executive Board of UNOPS.**

Lack of an investment strategy for the United Nations

31. In Volume I, the Board of Auditors noted that there was no specific investment strategy or guidelines for the $2.47 billion in long-term or mid-term trust funds, as well as a $234 million reserve fund, which were invested for the most part in short-term assets with a maturity period of less than one year. The Board considered that this might prevent the United Nations from obtaining potential economic returns and recommended that the Administration conduct a comprehensive analysis of the funds participating in the main pool with a view to developing a tailored investment strategy and guidelines for the funds associated with long-term liabilities (A/76/5 (Vol. I), paras. 109–120). **The Advisory Committee concurs with the recommendation of the Board of Auditors and trusts that the Board will provide updated information in its next report. The Committee recommends that the General Assembly request the Secretary-General to develop a tailored investment strategy and guidelines for the funds associated with long-term liabilities, and trusts that investments will be undertaken in accordance with the established framework and the oversight mechanisms that will be put in place to monitor and mitigate risks, so as to ensure sustainable and appropriate returns for the investments of the United Nations entities.**

Sustainable Investments in Infrastructure and Innovation initiative investments by the United Nations Office for Project Services

32. The Board of Auditors expressed concern in relation to the UNOPS Sustainable Investments in Infrastructure and Innovation initiative, which led to an emphasis of matter for the entity. The Board indicated that UNOPS had invested $58.8 million from its growth and innovation reserve by entering into agreements with seven special-purpose vehicles, all affiliated with a single private holding group, to carry out seven projects related to renewable energy and affordable housing. Upon enquiry, the Advisory Committee was informed by the Administration that all investment agreements signed by UNOPS where it issued debt had an interest rate of 10 per cent per annum. This rate was higher than the prevailing market rates (usually in the range of 6 to 8 per cent) in recognition of the fact that UNOPS enters deals early and given the risks of investing in emerging markets.

33. The Board of Auditors indicated that, in October 2020, UNOPS had disinvested from two projects (an $8.8 million windmill power project and renewable energy projects amounting to a $15 million investment) and requested the return of previous payments totalling $25.48 million. However, UNOPS had not received the overdue payment by the end of March 2021. UNOPS established bad debt allowances against the default. The expected credit losses of $22.19 million on aggregate against Sustainable Investments in Infrastructure and Innovation initiative investments were reflected in its 2020 financial statements. (A/76/5/Add.11, paras. 33 and 35). Upon enquiry, the Advisory Committee was informed by the Administration that UNOPS was expecting the payment of the outstanding amount by the end of 2021 and had not incurred any Sustainable Investments in Infrastructure and Innovation-related credit losses yet.

34. With regard to the remaining ongoing five Sustainable Investments in Infrastructure and Innovation projects on affordable housing, which constituted a $35 million investment, the Advisory Committee was informed by the Administration that, as at 30 September 2021, UNOPS had received the due payments in full and on time, that there were no bad debt allowances and that progress had been made, notwithstanding the complexities of affordable housing projects, exacerbated by COVID-19. At the time, the Board of Auditors was not in a position to evaluate any risk related to those projects without further review.

35. The Advisory Committee was informed by the Board of Auditors that its main concerns related to: (a) the risk of exposure incurred due to the highly concentrated risk of UNOPS loans with a single partner that was selected outside any formal policy framework and not in a strictly risk-controlled manner; (b) the inadequate monitoring of the investment by UNOPS throughout the partnership; (c) the significant impact of the provision of bad debts on the surplus; and (d) factors regarding the borrowers in the Sustainable Investments in Infrastructure and Innovation projects, including their recent establishment, limited track records and questionable capability to operate major projects (see also A/76/5/Add.11, paras. 33–59, and A/75/5/Add.11, paras. 33–64). The Committee was, however, also informed that UNOPS had not entered into any new projects with the same or associated partners since January 2020 and that guidelines for Sustainable Investments in Infrastructure and Innovation operations had been issued and became effective in November 2020. Furthermore, according to UNOPS, the entity had made a strong effort to diversify the partner base and bring on board new large-scale institutional investors, and carefully register, monitor and mitigate the risks for each project.

36. **The Advisory Committee shares the concerns of the Board of Auditors and concurs with its recommendations on the investment management of the Sustainable Investments in Infrastructure and Innovation initiative. The**

Committee trusts that the Board will continue to follow-up on the Sustainable Investments in Infrastructure and Innovation initiative investments.

7. Accumulation of idle assets

37. With regard to the United Nations (Vol. I), the Board of Auditors noted that 1,306 items with an acquisition value of $42.6 million had a status of "equipment idle", representing 12 per cent in quantity and 10 per cent in value of the total equipment. A total amount of $23 million (54 per cent) of those assets had been idle for one to three years and $14.6 million in assets had been idle since their acquisition. The two main types of the idle assets were information and communications technology (ICT) equipment (47 per cent in value; 69 per cent in quantity) and vehicles (40 per cent in value; 17 per cent in quantity). Given the significant amounts, the risks of waste, obsolescence and loss, and management and storage costs, the Board considered that the issue should be addressed by the Administration in a systematic way and recommended that the Administration, in coordination with the responsible departments and offices, analyse the root causes for idle assets and take appropriate and more proactive measures (A/76/5 (Vol. I), paras. 153–159). **The Advisory Committee concurs with the recommendation of the Board of Auditors on idle assets and stresses the importance of concerted and proactive measures to avoid further waste, obsolescence and additional costs.**

8. Issues relating to the United Nations Foundation

38. At the request of the Advisory Committee, the Board of Auditors reviewed matters relating to the United Nations Foundation and noted, among others, the following issues and made related recommendations:

(a) The United Nations Foundation's annual grants through the United Nations Fund for International Partnerships account had decreased significantly since 2007, to below $10 million in 2020, which represented 10 per cent of the Foundation's programme expenses (by comparison, from 1999 to 2006, the annual grants represented 84 per cent of its expenses) (A/76/5 (Vol. I), paras. 291–299). Upon enquiry, the Committee was informed by the Administration that, in addition to the annual grant, in 2020, the Foundation had mobilized approximately $197.7 million in private voluntary contributions in support of the World Health Organization COVID-19 Solidarity Response Fund;

(b) Notwithstanding the provisions set forth in the relationship agreement between the United Nations and the United Nations Foundation of 23 October 2014, the Foundation did not sufficiently report on Member State donations regarding funded programme initiatives, and there was a lack of transparency on the expenditure in support of United Nations priorities and the Sustainable Development Goals (ibid., paras. 300–308). Furthermore, the Foundation did not sufficiently consult with the United Nations regarding its investment policy (ibid., paras. 323–329);

(c) The United Nations Foundation had a high level of reserves. As at 31 December 2019, the Foundation had retained a $187.1 million reserve fund, which was more than 20 times its general and administrative expenses in 2019 (ibid., paras. 315–322);

(d) The administrative expenses of the United Nations Foundation were also high and had continued to rise over the years, to $8.41 million in 2019, which represented 9 per cent of the total expenditure for that year, compared with the level of within 2 per cent maintained before 2006. Moreover, the remuneration of the senior management employees of the Foundation exceeded the average charity industry levels. The annual remuneration of the highest paid employee was $518,940, which is 2.17 times the average level in the sector and 28 per cent higher than the average level for charities of similar size in the same sector and location (ibid., paras. 330–336).

39. Upon enquiry, the Advisory Committee was informed that, during the audit, the United Nations Foundation did not provide some information requested by the Board of Auditors, such as donation amounts of major donors and the purpose of and restrictions on the donations, despite being required to do so pursuant to the relationship agreement of 2014. The Committee was informed by the Administration that the United Nations did not have any authority regarding the Foundation's allocation of resources for its programmes and reserve.

40. **The Advisory Committee echoes the concerns of the Board of Auditors regarding the United Nations Foundation and concurs with its recommendations. The Committee trusts that measures will be taken to address the significant decline in the Foundation's grants channelled through the United Nations Fund for International Partnerships account and the increasing amounts of administrative expenses and reserves. The Committee encourages more transparency and greater coordination and dialogue with the Foundation and trusts that updated information will be provided to the General Assembly at the time of its consideration of the present report and in the next report on the United Nations Office for Partnerships, also considering the expiration in 2024 of the relationship agreement.**

9. Implementing partners

41. The Board of Auditors identified deficiencies in the management and oversight of implementing partners across multiple entities, including the United Nations (Vol. I), UNFPA, UNICEF, the United Nations Environment Programme, UN-Women and the Office of the United Nations High Commissioner for Refugees. Upon enquiry, the Advisory Committee was informed that the findings of the Board could be systematically classified as follows:

(a) Management issues: the selection of implementing partners was not open or transparent, and there was no mechanism to identity and avoid using high-risk partners;

(b) Project information and management issues: the tracking and records of projects implemented by the partners were not done in a timely manner or complete;

(c) Project implementation issues: the submission of cost reports by implementing partners was not done in a timely manner during project implementation and closure. Furthermore, project milestones were not met or were delayed;

(d) Project financial management issues: the financial settlement of implemented projects was not complete or done in a timely manner;

In addition, some findings of the Board indicated that the COVID-19 pandemic had exacerbated the risks related to implementing partners, in particular because movement restrictions resulted in constraints on the fulfilment of assurance activities.

42. With regard to the United Nations (Vol. I), the Board of Auditors noted that 5,212 projects, administrated by 10 entities, including the Office for the Coordination of Humanitarian Affairs and United Nations trust funds, had been closed operationally, but not financially, with an outstanding amount of $521.98 million as at 31 December 2020. Of those projects, 2,422 ($378.71 million in value) had been pending financial closure within two years; 2,649 ($142.66 million in value) had been outstanding for two to five years; and 141 ($610,776 in value) had been overdue for more than five years. The Board was concerned that the situation might lead to inaccuracy of financial records and inefficient utilization of the funds (A/76/5 (Vol. I), paras. 39–44).

43. As in the audit for the year 2019, the emphasis of matter in UNFPA related to deficiencies in the management of implementing partners, including untimely monitoring of the assurance activities due to COVID-19 (see A/76/5/Add.8, paras. 16–54). The Board of Auditors noted, among other issues, that, for the 2020 period, UNFPA planned assurance activities to cover an amount of $355.63 million in expenditure. However, as at 25 June 2021, UNFPA had performed assurance activities for total expenses of $294.22 million, leaving an amount of $61.40 million assurance activities planned, but not performed (ibid., paras. 51–54). Upon enquiry, the Advisory Committee was informed by the Administration that UNFPA had conducted the outstanding assurance activities for 2020 and put in place measures to ensure the timely completion of the assurance activities for 2021.

44. Upon enquiry, the Advisory Committee was informed by the Administration regarding ongoing initiatives aimed at strengthening cooperation and coherence among United Nations entities with respect to implementing partners, including: (a) the UN Partner Portal, an online interagency collaboration tool that, as of September 2021, was used by several United Nations entities and had nearly 20,000 civil society organizations registered on it, with 15 to 20 new civil society organizations being added every day; (b) the United Nations Development Group's harmonized approach to cash transfers guideline, an interagency tool for assessing implementing partners' financial management capacity, used by UNDP, UNICEF, UNFPA and the World Food Programme; and (c) initiatives under way aimed at creating a harmonized tool for the micro-assessments of implementing partners and to develop a standard agreement template for engaging implementing partners for all United Nations Secretariat entities. The Committee was also informed that a United Nations implementing partner common assessment in relation to the organizational capacity of implementing partners to prevent and respond to sexual exploitation and abuse was being piloted in the Democratic Republic of the Congo and was expected to be scaled up globally by early 2022. In addition, entities exchanged information, best practices and policies related to implementing partners, whenever possible and as needed.

45. Notwithstanding those initiatives, the Advisory Committee was further informed that both the Board of Auditors and the Administration considered that further efforts were required to enhance processes and mitigate risks, given the increasing magnitude of the implementing partner portfolio. Suggested measures included strengthened oversight at all governance levels; clear policies and comprehensive guidance, including through tools and training; greater harmonization to enhance efficiency and reduce duplication; and increased inter-agency coordination and sharing of best practices and information.

46. **The Advisory Committee notes with concern the widespread issues related to implementing partners highlighted by the Board of Auditors and the considerable related risks, which have been exacerbated by the COVID-19 pandemic. The Committee acknowledges the initiatives being undertaken by various United Nations entities to enhance cooperation and harmonization; however, it considers that a more concerted approach and strengthened efforts are needed to ensure more stringent oversight, increase coherence and reduce inefficiencies and risks. The Committee therefore recommends that the General Assembly request the Secretary-General, in his role as Chair of CEB, to develop an effective, concrete and harmonized approach to the management of implementing partners, with a view to addressing related issues and risks in a holistic and systematic manner, and to provide an update in his next report on the implementation of the recommendations of the Board.**

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

47. In its concise summary, the Board of Auditors indicated that the overall rate of implementation of extant recommendations from the previous period had increased during the past three years, from 39 per cent in 2018 to 41 per cent in 2019 and 48 per cent in 2020, but remained below 50 per cent (see A/76/173, tables 9 and 10). The Board also noted that the UN-Habitat implementation rate was very low, below 5 per cent, and that UNOPS, UN-Women, UN-Habitat and the International Residual Mechanism for Criminal Tribunals had experienced significant decreases in implementation rates compared with the previous year (ibid., para. 223). **While the Advisory Committee notes the progress made, it considers that an overall implementation rate below 50 per cent remains insufficient and requires further improvement. The Committee recalls that the General Assembly, in its resolution 75/242, 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 of Auditors, and the related recommendations of the Committee, in a prompt and timely manner, and to continue to hold programme managers accountable for the non-implementation of recommendations.**

Implementation time frame

48. The Advisory Committee notes from the information provided by the Board of Auditors that 230 recommendations had been outstanding for two years or more, including 87 for the United Nations (Vol. I).[7] The Board noted that time constraints, multiple elements of the recommendations to implement and covering more than one audit period, resource scarcity, and changes in priorities and a limitation of feasible activities due to COVID-19 could play a role in the level and timeliness of implementation (ibid., paras. 221–222). **With regard to the recommendations from prior periods, the Advisory Committee reiterates its recommendation that the General Assembly request the Secretary-General to improve the rate and timeliness of the implementation of the recommendations of the Board of Auditors (see also A/75/539, para. 24). The Committee also recalls the repeated request of the Assembly that the Secretary-General provide full explanations of the delays in the implementation of the recommendations of the Board, in particular for those that had not been fully implemented for two years or more (resolution 75/242, para. 9).**

49. The Advisory Committee notes that the reports on the implementation of the recommendations of the Board of Auditors, in their current format, do not provide sufficient clarity regarding the delayed implementation against the original target date. Furthermore, when closure was requested, the implementation target date was categorized as "not applicable". **The Advisory Committee recommends that the General Assembly request the Secretary-General to systematically include the original target date for implementation, as well as any revised target date, in his next reports on the implementation of the recommendations of the Board of Auditors.**

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[7] ITC: 5; the International Residual Mechanism for Criminal Tribunals: 6; UNDP: 2; UNEP: 15; UNFPA: 2; UNHCR: 10; UN-Habitat: 38; UNICEF: 8; UNITAR: 1; UNODC: 10; UNOPS: 11; UNRWA: 10; UNU: 3; UN-Women: 2; the United Nations (Vol. I): 87; the United Nations (Vol. II): 14; and the United Nations Joint Staff Pension Fund: 6.

Enhanced cooperation

50. Information provided by the Board of Auditors shows that 18 recommendations resulting from the 2020 audits were not accepted by the Administration.[8] The Advisory Committee was also provided by the Administration with a list of 11 recommendations for which there were disagreements between the relevant audited entities and the Board.[9] The Committee was also informed that, in the course of the audit, the Board had requested, but did not receive from the entities concerned, some information related to the United Nations Foundation, open commitments, extrabudgetary posts and ICT. **The Advisory Committee reiterates its recommendation that the General Assembly request the Secretary-General to fully cooperate with the Board of Auditors and enhance its collaboration on the recommendations that have been fully or partially accepted or not accepted by the Administration or for which the Administration has requested closure (see also A/75/539, para. 23).**

Effective implementation

51. The Advisory Committee notes that multiple entities accepted the recommendations made by the Board of Auditors in its audits for 2020 and subsequently requested their closure. This was, for example, the case for 68 recommendations for United Nations (Vol. I).[10] The Committee is of the view that, in some cases where closure was requested, the Administration did not present sufficient information that the action taken would effectively and meaningfully implement the recommendation. This was particularly evident in recommendations involving the provision of guidance or monitoring. For example, the Administration considered that the Board's recommendation to enhance the monitoring of expenditure for consultants and experts had been implemented, on the basis of the fact that the Controller's budget guidance alerted the entities of the request of the General Assembly to keep expenditure to a minimum and that the Controller encouraged them to make provisions accordingly (see A/76/307, para. 35; see also para. 61 below). **The Advisory Committee recalls the request of the General Assembly that the Secretary-General and the executive heads of the funds and programmes of the United Nations effectively address the root causes of the problems highlighted by the Board of Auditors (resolution 75/242, para. 8) and is concerned about the emergence of a trend whereby the Administration accepts the recommendations of the Board, but then immediately seeks their closure, without sufficient justification or meaningful implementation efforts. The Committee therefore recommends that the Assembly request the Secretary-General to ensure that the recommendations of the Board are implemented effectively and with the requisite thoroughness, and to provide more detailed information on the planned and undertaken implementation measures in his next reports.**

[8] The recommendations that were not accepted were as follows: two for the United Nations (Vol. I); seven for the United Nations (Vol. II); five for the International Residual Mechanism for Criminal Tribunals; and one each for UN-Habitat, UNICEF, UNOPS and UNU.

[9] The recommendations for which there were disagreements were as follows: four for UN-Habitat; two each for the International Residual Mechanism for Criminal Tribunals and UNICEF; and one recommendation each for United Nations (Vol. I), UNHCR and UNRWA.

[10] In addition, UNU requested the closure of 4 recommendations, UNICEF and UNRWA 7 recommendations each, UNITAR 4, UNEP 3, UN-Habitat 38, UNODC 9, UNOPS 13, UN-Women 11 and the International Residual Mechanism for Criminal Tribunals 10.

B. Other matters

1. Delegation of authority and internal controls

Gaps in the risks covered by the current set of key performance indicators

52. In Volume I, the Board of Auditors noted that the current set of 16 key performance indicators used by the United Nations for monitoring the exercise of delegated authority did not cover significant risks, including the risk of the incorrect utilization of fund commitments, the lack of segregation of procurement duties, the overuse of informal methods of solicitations and delays in the recruitment process. The Board was concerned that those gaps might result in non-compliance, improper exercise of delegation of authority going undetected, and the absence of prompt corrective action. The Board therefore recommended the timely launch of an expanded set of indicators covering all duly identified risks (A/76/5 (Vol. I), paras. 339–343). Upon enquiry, the Advisory Committee was informed by the Administration that an expanded set of 26 key performance indicators was being prepared and would be rolled out in a phased approach in 2021 and 2022. **The Advisory Committee shares the concerns of the Board of Auditors, concurs with its recommendation and looks forward to the timely roll-out of the expanded set of key performance indicators to strengthen the monitoring of the exercise of delegated authority.**

Lack of accountability mechanism for some heads of entities

53. In Volume I, the Board of Auditors noted that, of 233 entities under the delegation of authority framework, 134 heads of entities were at the D-2 level or lower and were not required to sign the senior managers' compacts unless specifically prescribed. Furthermore, there was no proper mechanism to hold those heads of entities accountable (A/76/5 (Vol. I), paras. 353–356). **The Advisory Committee concurs with the recommendation of the Board of Auditors that the Administration consider the development of a more robust accountability mechanism for heads of entities at the D-2 level or below.**

Internal control weaknesses in the United Nations Development Programme

54. The Board of Auditors found numerous control weaknesses in UNDP, including the following: (a) 101 cases in which non-staff were performing internal control functions related to human resources (A/76/5/Add.1, paras. 110–120); (b) 35 delegations of authority that did not meet the required criteria, and the delegation of authority process (which is currently paper-based) was not integrated into the enterprise resource planning system (ibid., paras. 131–143); (c) documents relevant for revenue recognition of voluntary contributions that were submitted late, including 49 documents representing an overall amount of $66.0 million submitted in 2020, but signed in prior years, and 44 documents reflecting an amount of $81.0 million received as at June 2021, but signed in 2020 (ibid., paras. 51–59); and (d) 18 transactions in which the staff approving payable vouchers was identical to the vendor paid (ibid., paras. 144–149). **The Advisory Committee concurs with the recommendations of the Board of Auditors on internal controls at UNDP. Considering the number of issues noted by the Board, which appear to be of a systemic nature, the Committee stresses the importance of UNDP undertaking a thorough analysis of the root causes, taking concrete measures to improve oversight, ensuring strengthened accountability at the management level and providing updated information in the context of the next UNDP budget review by the Committee.**

Issues related to the social safety net programme of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

55. The Board of Auditors found that 47 UNRWA staff members were enrolled in the social safety net programme distribution lists and had received services equivalent to $24,472.85 from the programme in 2020. The Board recommended that corrective action be taken, where appropriate, to recover the subsidies given to staff members, given that UNRWA staff are not eligible for services under the social safety net programme (A/76/5/Add.4, paras. 180–187). Upon enquiry, the Advisory Committee was informed by the Administration that, following the audit findings, the staff members had been removed from the cash and food assistance distribution lists. However, owing to their poverty status, no decision had been taken to retrieve the money from their salaries, which would have led to a severe impact on their households. **The Advisory Committee notes the recommendation of the Board of Auditors, acknowledges the challenges faced and the impact on the respective households if the subsidies given to staff members under the social safety net programme are to be recovered. The Committee trusts that the Board will provide more justification to the General Assembly at the time of its consideration of the present report.**

56. The Board of Auditors also noted that persons aged 100 years or above were included on the social safety net programme (ibid., para. 190). Upon enquiry, the Advisory Committee was informed by the Administration that 648 persons aged 100 years and above had been removed from the lists following the audit. The related expenditure in 2020 was $50,208. The Committee was also informed that UNRWA had been visiting all social safety net programme households every one to two years to ascertain eligibility for services, but this was not possible during the COVID-19 pandemic, and there may have been instances of oversight in prior years. UNRWA was working on introducing an alternative approach in 2022 to tighten identity verification. **The Advisory Committee looks forward to receiving updated information on the establishment of strengthened mechanisms to monitor the provision of assistance through the social safety net programme in the next UNRWA budget report.**

2. Management of rosters

57. In Volume I, the Board of Auditors analysed the United Nations rosters of candidates maintained in Inspira and noted that, as at 31 December 2020, there were 55,087 roster memberships, among which 21,291 (39 per cent) were of women, 380 were of candidates over 65 years old and 5,977 had been in place for more than 10 years (A/76/5 (Vol. I.), para. 416). The Board also noted that the current policy was focused mainly on roster establishment rather than roster management, resulting in limited guidance on roster creation and maintenance in terms of roster duration, category and geographical and gender distribution. In addition, the authority to maintain rosters went beyond the Department of Operational Support or any entity delegated to use roster-based recruitment (ibid., paras. 417–418). Upon enquiry, the Advisory Committee was informed that there was no mechanism to identify cost and benefits related to the management of rosters.

58. The Board of Auditors recommended 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 (ibid., para. 419). The Board also recommended that the Administration clarify further the conditions of and criteria for roster-based recruitments and ensure that all candidates are duly notified, in particular when rostered candidates

have been selected prior to the deadline of the job opening (ibid., paras. 408–414). **The Advisory Committee stresses the need for more comprehensive guidance on roster management and the establishment of clear ownership of and accountability for the roster, welcomes the recommendations of the Board of Auditors and trusts that the Board will provide an update thereon. The Committee recommends that the General Assembly request that the Secretary-General provide comprehensive information, including on geographical representation, and on the actual use of rosters by the different departments and detailed information of the costs of roster-based recruitment in his next report on the overview of human resources management (see also A/75/765, para. 32).**

59. **Considering the potential impact of gender and geographical representation in the roster on overall gender and geographical representation, the Advisory Committee welcomes the fact that the Board of Auditors recommended that the Administration issue guidance to entities to increase their focus on improving equitable geographical representation (A/76/5 (Vol. I), para. 424). The Committee also reiterates its recommendations for intensified and concrete efforts to enhance the overall geographical representation in all departments, including from unrepresented or underrepresented Member States, as well as gender balance at certain levels (see A/76/7, paras. 58 and 61, and A/76/7/Add.1, para. 65).**

3. Consultants and individual contractors

60. With regard to the United Nations (Vol. I), the Board of Auditors noted several instances of non-compliance with the framework of the management of consultants and individual contractors for 2020. For example, 101 consultant contracts had exceeded 24 months within the 36-month period; 12 retirees in receipt of pension benefits from the United Nations Joint Staff Pension Fund had earnings exceeding $22,000 in 2020; and 2 consultants and 7 individual contractors had more than one contract in an overlapping period. The Board recommended the provision of clear operational guidance and strengthened monitoring (A/76/5 (Vol. I), paras. 451–456). Upon enquiry, the Advisory Committee was informed that the Board would review, in its 2021 audit, whether functions performed by consultants and contractors should have been undertaken by in-house resources and whether the maximum use of staff was being made, in line with the repeated requests of the General Assembly. **The Advisory Committee looks forward to receiving information on the use of consultants and in-house resources in the next audit report.**

61. The Board of Auditors also reported that 11 of the audited entities or programmes under United Nations (Vol. I) had higher actual expenditure on consultants and experts than the original appropriations, with overexpenditure rates ranging from 13 to 429 per cent. For example, the Department of Management Strategy, Policy and Compliance had an overexpenditure of $680,165, or 429 per cent, and the Office of Information and Communications Technology of $307,983, or 242 per cent (A/76/5 (Vol. I), para. 82, and table II.11). The Board recommended enhanced monitoring of the expenditure under consultants and experts and improved justification for material variances between expenditure and appropriation in the context of the financial performance report and the financial statements (ibid., paras. 83–84).

62. **The Advisory Committee concurs with the recommendations of the Board of Auditors pertaining to consultants and individual contractors. The Committee recalls the repeated requests of the General Assembly to keep the use of consultants and individual contractors to a minimum (see, for example, resolution 74/262, para. 23) and recommends that the Assembly request the Secretary-General to strengthen the internal controls on the use and management of consultants and individual contractors, with a view to avoiding overexpenditure and ensuring full compliance with the regulatory framework.**

4. Information and communications technology

63. In Volume I, the Board of Auditors noted that the ICT budget remained fragmented (see also A/75/156, para. 244). The Board was informed that, during the period 2016–2020, although all Secretariat entities and peacekeeping missions were required to submit proposals for new ICT investments to the Office of Information and Communications Technology for review and approval in accordance with General Assembly resolution 69/262 and Secretary-General's bulletin ST/SGB/2016/11, only 10 entities had done so, and those that did not submit were not held accountable. The Board was concerned that the fragmentation of ICT resources would lead to overlap, disconnect and redundancy of ICT functions across the United Nations (A/76/5 (Vol. I), paras. 733–738).

64. **The Advisory Committee shares the views of the Board of Auditors and has repeatedly expressed concern regarding the persistent non-compliance with General Assembly resolution 69/262 and Secretary-General's bulletin ST/SGB/2016/11 relating to the review of ICT budgets. The Committee again stresses the need for the Secretary-General to take additional and concrete measures, including through the establishment of key performance indicators, to address the persistent issue of fragmentation of the ICT budget without further delay. The Committee also reiterates its expectation that the comprehensive ICT investment plan to be presented to the Assembly during its seventy-seventh session will provide comprehensive, detailed, transparent and accurate information on ICT initiatives, including system-wide common initiatives, related requirements and anticipated costs and efficiency gains across all funding sources (see also A/76/7, paras. VIII.61 and VIII.62).**

65. The Board of Auditors also continued to find instances of duplication and unclear definitions of responsibilities among the integrated divisions of the Office of Information and Communications Technology, which may lead to a blurring of accountability and duplication and fragmentation within the Office (A/76/5 (Vol. I), paras. 716–722). Furthermore, the Board reported that, in recent years, the Office had outsourced several functionalities, such as ICT infrastructure services, platform services, application services, data management, training management and technical support, to the United Nations International Computing Centre, UNOPS and other service providers. The Board noted that the Office had signed more than 100 contracts with those business partners, without any formal policy in place. The Board was concerned that a lack of policy might weaken the consistency of standards and processes (ibid., paras. 725–726 (a) and 729–730). **The Advisory Committee concurs with the recommendations of the Board of Auditors and trusts that an update will be also provided in the context of the next programme budget and in the next ICT strategy of the Secretary-General.**

5. Development reform and backlog in the implementation of common business operations

66. The Board of Auditors reviewed the progress made in the development reform and highlighted, among others, funding gaps in the reinvigorated resident coordinator system, areas for further improvement related to Sustainable Development Goal indicators and delays in the implementation of efficiency measures related to common business operations. **The Advisory Committee emphasizes the importance of monitoring challenges in and benefits of the development reform and looks forward to updated information in the next report of the Board of Auditors.**

67. The Secretary-General set the target for the efficiency agenda at a dollar value equivalent to $310 million to be developed and implemented by a wide range of initiatives within the United Nations system, including the business operations

strategy, the common back office and common premises. The Board of Auditors reviewed the progress made and identified delays and backlogs against the established strategies and plans (ibid., paras. 540–559). Upon enquiry, the Advisory Committee was informed by the Administration that the roll-out of the business operations strategy had been completed in July 2021; however, with respect to the targeted establishment of a common back office for all United Nations country teams by 2022, only 17 countries were at the roll-out phase as at October 2021. Furthermore, the actual percentage of common premises was 23 per cent, compared with the expected 50 per cent target by the revised deadline of October 2022.

68. According to the Board of Auditors, reasons for the backlog included delays in the approval of the enabling framework for common business operations, the lack of a streamlined approval process to expand the common back office, and the absence of a resource mobilization plan and capital funding for the common premises and an analysis on the related costs and efficiency gains (ibid., paras. 541, 548 and 556). The Advisory Committee was informed that, because there was no mechanism in place to capture the benefits realized, the Board was unable to estimate the financial implications of the delays.

69. **The Advisory Committee notes with concern the slow progress made in the implementation of the common business operations and considers that the Secretariat should adopt a more concerted, systematic and time-bound approach to expedite the completion of common back offices and common premises. The Committee also stresses the importance of establishing a mechanism to monitor and quantify the benefits realized over time and trusts that an update on the progress made, alongside detailed information on the related costs and efficiency gains, as well as their impact on budgetary requirements, will be provided in the next budget submissions (see also A/76/7, para. I.35).**

70. The Advisory Committee also recalls that, in the context of the proposed programme budget for 2022, it noted that information on system-wide initiatives aimed at consolidating efficiency gains and improving coordination were not provided, as it had previously requested (A/76/7, para. 85, and A/75/7, para. 77). **The Advisory Committee reiterates its recommendation that the General Assembly request the Secretary-General to provide, in future proposed programme budgets, detailed information on system-wide initiatives pertaining to administrative and budgetary matters that are intended to consolidate efficiency gains and improve coordination, including cost-recovery and cost-sharing arrangements (see A/76/7, para. 85). The Committee also recommends that the Assembly request the Secretary-General, in his role as Chair of CEB, to present a separate report on system-wide initiatives, as well as operational and cost-sharing arrangements, and any potential opportunities for cooperation, including on administrative and budgetary matters, in particular procurement and ICT, at the earliest occasion.**

71. Upon request, the Advisory Committee was provided by the Administration with tables reflecting lists of United Nations resident coordinators and UNDP resident representatives with their level and countries where they are stationed. **The Advisory Committee trusts that a consolidated list of United Nations resident coordinators and UNDP resident representatives by duty station will be provided in the next programme budget submission.**

6. Peace and security reform

72. In Volume I, the Board of Auditors noted that the vision of the United Nations for the end state of the peace and security reform was unclear. In particular, there was no clarity as to when the peace and security reform activities would be completed,

what type of mechanism for continuous improvement would be introduced and how the peace and security reform activities and benefits would be reported in the future. The Board therefore recommended the identification of a mechanism for continuous improvement and benefits reporting (A/76/5 (Vol. I), paras. 573–577). In addition, the Board noted backlogs in the planned business reengineering process, which might result in a lack of clarity regarding responsibilities and procedures, inefficiencies and fragmentation, and therefore recommended the finalization of the pending processes in a timely manner (ibid., paras. 578–581). **The Advisory Committee concurs with the recommendations of the Board of Auditors on the peace and security reform and trusts that an update will be provided in the context of the next overview report on the financing of the United Nations peacekeeping operations and in its main report on the estimates in respect of special political missions.**

7. Management reform

73. In 2020, the Board of Auditors audited and made recommendations on key issues related to the management reform, such as the delegation of authority. Upon enquiry, the Advisory Committee was informed that, given the broadness and complexity of the reform, as well as limited audit resources, coupled with the additional constraints as a result of COVID-19, the Board was not in a position to conduct a comprehensive analysis of the management reform during the 2020 audit. **The Advisory Committee considers that a comprehensive analysis by the Board of Auditors of the management reform, including the transformation of the Department of Management and the Department of Field Services into the Department of Management Strategy, Policy and Compliance and the Department of Operational Support, respectively, would be highly beneficial. The Committee recommends that this analysis be included in one of the next reports of the Board.**

8. Fraud and presumptive fraud

74. In its concise summary, the Board of Auditors provided an overview of the cases of fraud or presumptive fraud reported by the audited entities in 2018, 2019 and 2020. The total number of cases had decreased from 793 in 2019 to 665 in 2020, with increases (mostly in the range of 1 or 2 cases) reported by four entities: the United Nations Environment Programme, UNFPA, the United Nations Office on Drugs and Crime and UN-Women (A/76/173, para. 52, and table 8). The Board acknowledged that the information and the level of detail received by the entities differed considerably, including on the financial impact of fraud, and there were differences in the definition of "presumptive fraud" across entities (ibid., paras. 53 and 55). Furthermore, the Board indicated that 59 per cent of the entities had declared new risks of fraud and presumptive fraud in connection with the COVID-19 pandemic, relating mainly to procurement and cybersecurity (ibid., para. 299). **The Advisory Committee stresses the importance of preventing, monitoring and addressing, including through accountability measures, where appropriate, instances of fraud and presumptive fraud (see also A/75/539, para. 42). Given the emergence of new risks related to the COVID-19 pandemic, the Committee is of the view that entities should update their fraud and presumptive fraud risk assessment. The Committee also notes the fragmentation and lack of consistency in the reporting of fraud-related matters and emphasizes the importance of comparable, detailed and transparent information and recommends that the General Assembly request the Secretary-General ensure that all cases of fraud and presumptive fraud are reported in a transparent and consistent manner, including through the issuance of comprehensive guidance, reporting structures and accountability measures. The Committee trusts that the Board of Auditors will follow up on the fraud-related matters in its future reports.**

Annex

Financial reports, audited financial statements and reports of the Board of Auditors for the financial period ended 31 December 2020 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 2020 (A/76/173)
2. United Nations (A/76/5 (Vol. I))
3. International Trade Centre (A/76/5 (Vol. III))
4. United Nations University (A/76/5 (Vol. IV))
5. United Nations Development Programme (A/76/5/Add.1)
6. United Nations Capital Development Fund (A/76/5/Add.2)
7. United Nations Children's Fund (A/76/5/Add.3)
8. United Nations Relief and Works Agency for Palestine Refugees in the Near East (A/76/5/Add.4)
9. United Nations Institute for Training and Research (A/76/5/Add.5)
10. Voluntary funds administered by the United Nations High Commissioner for Refugees (A/76/5/Add.6)
11. Fund of the United Nations Environment Programme (A/76/5/Add.7)
12. United Nations Population Fund (A/76/5/Add.8)
13. United Nations Human Settlements Programme (A/76/5/Add.9)
14. United Nations Office on Drugs and Crime (A/76/5/Add.10)
15. United Nations Office for Project Services (A/76/5/Add.11)
16. United Nations Entity for Gender Equality and the Empowerment of Women (A/76/5/Add.12)
17. International Residual Mechanism for Criminal Tribunals (A/76/5/Add.15)
18. United Nations Joint Staff Pension Fund (A/76/5/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 2020 on the United Nations (A/76/307)
20. Report 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 2020 on the United Nations funds and programmes (A/76/307/Add.1)