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Chair: Mr. Tommo Monthe (Cameroon)
*Chair of the Advisory Committee on Administrative
and Budgetary Questions:* Mr. Ruiz Massieu

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The meeting was called to order at 10.05 a.m.

Agenda item 133: Financial reports and audited financial statements, and reports of the Board of Auditors ([A/72/5 \(Vol. I\)](#), [A/72/5 \(Vol. I\)/Corr.1](#); [A/72/5 \(Vol. III\)](#), [A/72/5 \(Vol. IV\)](#); [A/72/5/Add.1](#), [A/72/5/Add.2](#), [A/72/5/Add.3](#), [A/72/5/Add.4](#), [A/72/5/Add.5](#), [A/72/5/Add.6](#), [A/72/5/Add.7](#), [A/72/5/Add.8](#), [A/72/5/Add.9](#), [A/72/5/Add.10](#), [A/72/5/Add.11](#), [A/72/5/Add.12](#), [A/72/5/Add.13](#), [A/72/5/Add.14](#), [A/72/5/Add.15](#); [A/72/176](#) and [A/72/176/Corr.1](#); [A/72/355](#) and [A/72/355/Add.1](#))

1. **Mr. Bajaj** (Chair of the Audit Operations Committee of the Board of Auditors), introducing the reports of the Board of Auditors to the General Assembly at its seventy-second session, and the concise summary of the principal findings and conclusions contained in the reports ([A/72/176](#) and [A/72/176/Corr.1](#)), said that unqualified audit opinions had been issued for the 20 entities audited, with the International Criminal Tribunal for the Former Yugoslavia (ICTY) and the International Criminal Tribunal for Rwanda (ICTR) receiving unqualified opinions with an emphasis of matter.

2. With regard to financial performance, eight entities had closed the financial year with a surplus, while eleven had closed the financial year with a deficit. All of the audited entities except for the International Trade Commission (ITC) had a positive quantity of net assets, while the net assets of ten entities had declined relative to the previous year. Employee benefits, excluding pension benefits, were a major liability for most of the entities, and for eleven of them, employee benefit liabilities were over half of all liabilities, reaching as high as 94 per cent for the United Nations Capital Development Fund (UNCDF) and over 75 per cent for United Nations Volume I, the United Nations Population Fund (UNFPA), the United Nations Institute for Training and Research (UNITAR), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and the Office of the United Nations High Commissioner for Refugees (UNHCR). It was important for the entities to have a funding plan for those liabilities. With regard to fraud awareness and fraud prevention, all of the entities audited had anti-fraud and anti-corruption frameworks, and all believed that they had adequate strategies in place to prevent fraud. However, seven entities (United Nations Volume I, ITC, the United Nations Environment Programme — UNEP, UNITAR, the United Nations Office on Drugs and Crime — UNODC, ICTY and the International Residual Mechanism for Criminal Tribunals — IRMCT) had not undertaken fraud risk

assessments. Without such assessments, entities would have difficulty identifying vulnerability to fraud and procedural weaknesses that might lead to fraud. With regard to the status of implementation of its previous recommendations, the Board had noted an increase from 43 per cent implementation in 2015 to 45 per cent implementation in 2016, but was concerned at the 53 recommendations left pending for over two years, a number which represented 9 per cent of all recommendations outstanding at 31 December 2015.

3. Turning to the key findings from the individual audit reports, he indicated that the Board, in auditing the financial statements and reviewing the operations of the United Nations, as reported in volume I, for the year ended 31 December 2016, had learnt from the Administration that the level of unused commitments was still being finalized. According to a preliminary determination, the level of unused commitments raised in the biennium 2014–2015 stood at approximately \$45.6 million. Accounting policies dictated that uncommitted balances of appropriations at the end of a budget period, and expired balances of appropriations retained from prior budget periods, must be reported as provisions for credit to the Member States. However, the Administration had not made such provisions in the accounts for 2016.

4. The Board had found insufficient control over the collection and collation of details regarding active staff and retirees for transmission to the actuary. There were important omissions in the data sent for actuarial valuation, indicating that information sent from the field to Headquarters had not been checked thoroughly. The organization and structure of procurement authority was fragmented, and responsibilities and accountability were not clearly defined. Lastly, in connection with the strategic heritage plan of the United Nations Office at Geneva, the Board had expressed concern at the delays in scheduled contract signatures and the consequent delayed start of the works, as well as concerns regarding timely completion of the project and project governance and procurement.

5. With regard to UNDP, the Board had noted that the past weaknesses in updating project-risk and issue-log information in the Atlas enterprise resource planning system had continued. With regard to UNFPA, the Global Programming System was not being used properly to manage work plans, some of which had been signed with implementing partners before being approved within the System. In addition, the amounts contained in the signed hard copies of work plans had been found in some cases to be higher than the amounts recorded for those same work plans in the System. At the United Nations Human Settlements Programme

(UN-Habitat), enterprise risk management training for staff was overdue, and the risk register provided for in the Programme's enterprise risk management implementation guidelines had not been compiled.

6. UNICEF had accrued \$1.60 million in demurrage charges for containers returned to consignees, and a further \$4.48 million in demurrage charges for containers not returned to consignees until February 2017, as a result of having exceeded the 45 days free detention time allowed for removal of contents and release of the container to the carrier. While UNITAR had adopted the International Public Sector Accounting Standards in 2014 and the UNDP-administered Atlas enterprise resource planning system in 2015, many journal entries for 2016 required correction. While UNHCR had provided documentation of its decision to provide seasonal support in one particular country in the form of a one-off cash payment, the Board had noted that standard operating procedures for cash-based interventions were unclear as to whether seasonal support payments were monthly or one-off payments. The Board considered that the related disbursement terms should be made clear. At UNRWA, some reforms had brought a change from in-kind food assistance to cash-based transfers. However, the Board had pointed out the need for lower-level staff to receive training regarding those changes.

7. The United Nations had launched the process of providing Member States with support to implement the Sustainable Development Goals. UNODC should develop a concrete agenda in that regard, as well as indicators to track implementation progress. In addition, the Board, taking account of the commitment of the Organization to improve accessibility for staff members with disabilities, had indicated that UNODC, while having taken some action, had not set standards for the accessibility of its field offices. With regard to UNOPS, the Board had expressed concern at the ability to exercise managerial oversight at all levels, as there was no centralized system for reporting project-quality risks and incidents. The role of directors at headquarters was not clearly set out, even in the new 2016 governance, risk and compliance framework. UN-Women lacked written policy or guidance for the establishment and operation of field and programme presences; as a result, one country office and one regional office had established field and programme presences without properly-documented business cases. While the United Nations University (UNU) had a strategic plan covering the period from 2015 to 2019, it had not adapted it to include the Sustainable Development Goals, and there was no other indication as to how UNU planned to

support the United Nations system to fulfil the 2030 Agenda.

8. As ICTR and ICTY were at different stages of closure, with IRMCT progressively taking over, the issues raised by the Board included management of the liquidation process and follow-up of outstanding issues. As ICTR had been fully closed and amalgamated with IRMCT, recommendations were addressed to IRMCT as lessons learned.

9. **Ms. Bartsiotas** (Controller), introducing the reports of the Secretary-General on the implementation of the recommendations of the Board of Auditors contained in the reports on the United Nations and the capital master plan (A/72/355) and on the United Nations funds and programmes (A/72/355/Add.1) for the year ended 31 December 2016, said that the reports elaborated on the comments already submitted to the Board by the Secretary-General and included information on the status of implementation of the recommendations, the office responsible for implementation in each case, and estimated completion dates and priorities. They also provided updates on the implementation status for prior-period recommendations that the Board had considered to be not fully implemented at the time of issuance of its reports. The Secretary-General and the executive heads of the funds and programmes had concurred with most of the Board's recommendations, and had made every effort to ensure compliance with the General Assembly's request that they be implemented.

10. With regard to implementation of the Board recommendations made in connection with the report on the United Nations for the year ended 31 December 2016, 51 per cent of the recommendations relating to the previous five financial periods had been fully implemented, 31 per cent were under implementation, 5 per cent had not been implemented, and 13 per cent had been closed by the Board or overtaken by events. Recalling that the Board had expressed concern at the 53 recommendations still pending after more than two years, she said that the factors delaying implementation included the need to change policies or introduce additional controls, and the execution of multiple business-transformation projects. With regard to implementation of the Board recommendations made in connection with the capital master plan, 35 per cent of the recommendations relating to the previous four financial periods had been fully implemented, 43 per cent were under implementation, and 22 per cent had been closed by the Board or overtaken by events.

11. **Mr. Ruiz Massieu** (Chair of the Advisory Committee on Administrative and Budgetary

Questions), introducing the related report of the Advisory Committee ([A/72/537](#)), said that the Advisory Committee had noted that all the audited entities had once again received unqualified audit opinions from the Board of Auditors but remained concerned at the status of implementation of audit recommendations, particularly those that had remained pending for more than two years. It concurred with the view of the Board of Auditors that more effort was needed to address such recommendations, and welcomed the Board's continuing assistance in that regard, which included the definition of implementation timelines and other measurable steps, where appropriate.

12. The Advisory Committee had noted that the financial positions of the audited entities had remained sound, but took the view that the Member States in particular would benefit from the inclusion in future audit reports of comparative data on financial ratios, and a related analysis. Recalling the reference in the Advisory Committee report to the significant increase in the balances of cash and cash equivalents for United Nations Volume I between 2015 and 2016, mostly resulting from growth of the Organization's trust funds, he indicated that, since the completion of the report, the Advisory Committee had received additional clarification on that matter that the General Assembly might find useful for its deliberations.

13. With regard to the level of reserves held across United Nations entities, the Advisory Committee continued to note the need for a balanced approach, particularly for those entities funded primarily from voluntary resources, and it trusted that the Secretary-General would make every effort to develop reasonable reserve-level benchmarks. The Advisory Committee, having highlighted the fact that an estimated sum of \$45.6 million of unused commitments, dating back to the biennium 2014–2015, had not been finalized and had not been surrendered in the form of adjustments to Member States' assessments, in accordance with the Organization's Financial Regulations and Rules, called on the Secretary-General to provide the General Assembly with updated information on that matter.

14. Finally, the Advisory Committee recalled that the Board of Auditors had pointed out that the average time taken to fill vacant posts in the United Nations Secretariat had increased from 163 days in 2015 to 202 days in 2016, significantly above the 120-day benchmark established by the General Assembly in its resolution [65/247](#). The Advisory Committee requested that the Secretary-General provide the General Assembly with an explanation for the recent sharp increase.

15. **Ms. Pereira Sotomayor** (Ecuador), speaking on behalf of the Group of 77 and China, said that the Group continued to value the external oversight role of the Board of Auditors and appreciated the continued high quality of its reports and recommendations. The Group had noted the issuance of unqualified audit opinions for all the audited entities, and welcomed the view that the financial health of the United Nations as a whole remained sound. It urged the audited entities to sustain the gains made, address the weaknesses identified and be alert to the risk that, should the liabilities attached to employee benefits remain unfunded, the regular budget would be severely affected over time. Implementation of audit recommendations was inadequate, so the various United Nations entities and the Secretariat must work towards the implementation, and eventual closure of, old recommendations.

16. In connection with the 2030 Agenda, the Group urged that there should be no delay in finalizing methodologies and standards for the collection of data for Sustainable Development Goal indicators classified in Tier III. As measuring progress towards the achievement of the Sustainable Development Goal targets could begin only after methodologies for measuring all of the indicators had been finalized, delays would impede measurement of progress of up to one third of those targets.

17. The Group was concerned that procurement authority had not been delegated in a structured and well-organized manner, and had been driven more by tradition than by substantive requirements. Matters of structure and organization, and responsibilities and accountability, must be developed and clearly defined. The Group was also concerned at the lack of monitoring of the implementation of the Secretary-General's Bulletin on employment and accessibility for staff members with disabilities in the United Nations Secretariat ([ST/SGB/2014/3](#)), and pointed out that workdays lost to mental health disorders could be a source of institutional risk for the Organization.

18. As the investment in the Umoja enterprise resource planning system had been very large, the Group looked forward to that system providing opportunities to reconfigure the Organization's processes in order to give better value, and to seeing the Secretariat make use of it to overcome deficiencies, such as the deficiency found in the collection and collation of information for submission to the actuary for valuation of employee-benefit liabilities.

19. **Mr. Hyndrak** (Observer for the European Union), speaking also on behalf of the candidate countries Albania, Montenegro, Serbia, the former Yugoslav

Republic of Macedonia and Turkey; the stabilization and association process country Bosnia and Herzegovina; and, in addition, Armenia, Georgia, the Republic of Moldova and Ukraine, said that the Board of Auditors, through its high-quality reports and its recommendations, had made important contributions to the Organization in the form of independent assessments of the use of the funds provided by the Member States and in the form of oversight that helped to improve governance. The Board also helped the United Nations system to operate in a sounder, more transparent and more cost-effective way, enabling the Secretariat to fulfil its mandates more effectively and efficiently. While it was positive that the rate of implementation of the Board's recommendations had improved, the Secretary-General should ensure full and timely implementation of all recommendations.

20. The European Union welcomed the news that nine United Nations entities had prepared their financial statements using Umoja for the first time, and shared the view of the Board that that was a sign of the stabilization of the system. The European Union remained confident that the coming years would bring further enhancements in transparency, efficiency and cost-effectiveness. It also welcomed the Board's indication of continuous improvement in the application of IPSAS in the preparation of financial statements across the United Nations system. IPSAS-compliant reports on the financial positions and performance of the Organization were vital inputs for governing bodies' decision-making, and would increase Member States' and donors' confidence in the Organization's accountability and sound financial position. The European Union supported the call of the Board of Auditors for more awareness training and specific guidance regarding fraud prevention. Taking as a basis the Anti-Fraud and Anti-Corruption Framework established in 2016, further efforts were needed to strengthen the Organization's culture of good and transparent governance.

21. **Ms. Norman Chalet** (United States of America) said that the current reports of the Board of Auditors, by furnishing a comprehensive view of the accounts of the United Nations, funds and programmes, and, in addition, findings and recommendations, enabled the Member States to take informed decisions to improve the Organization. Among the issues her delegation looked forward to discussing were Umoja, results-based management, enterprise risk management, procurement, information and communications technology, counter-fraud initiatives and human resources management. It was encouraged that all the audited entities had received unqualified audit opinions, indicating that those entities were solvent and able to meet their long- and short-term

liabilities. The Member States could continue to have confidence in the integrity of the Organization's financial statements. It was also encouraging that the work of the Board had been facilitated by statements produced in a timely way using Umoja.

22. With regard to the strategic heritage plan of the United Nations Office at Geneva, her delegation had noted the concerns expressed by the Board regarding project management and procurement delays, and urged that lessons should be learned from the capital master plan and that cost-neutral mitigation efforts should be implemented to make up for lost time. The project must be completed within the budget and by the established date of 2023.

23. As procurement had featured prominently in the Board's findings and recommendations, including those relating to the strategic heritage plan, air assets and information and communications technology, the Secretary-General was urged to address the Board's numerous concerns relating to procurement, which was clearly a major challenge at a time when the Organization was seeking to meet an ever-expanding range of needs. Among the matters to be addressed, particularly in view of their significance to the Secretary-General's management reform proposals, were better and more transparent delegation of authority, contracting requirements, data management, and processing of transactions through Umoja.

24. Despite the Organization having sufficient assets to cover its liabilities, her delegation recalled the Board's indication that employee-benefit liabilities must be addressed. In order to ensure proper financial planning, it was critical to obtain a clear picture of those liabilities by ensuring the delivery of accurate beneficiary information, given the liabilities' significance and their impact on the regular budget.

25. Lastly, her delegation called on the United Nations to better integrate the recommendations of the Board into its day-to-day operations, in order to improve performance by improving governance and transparency, and ensuring that Member States and stakeholders within the United Nations could make informed decisions regarding the Organization's resources. Through that practice, and strong leadership, the Organization could achieve real, demonstrable improvements in mandate delivery.

26. **Mr. Lakhanpal** (India) said that the Board of Auditors was the core of the Organization's oversight mechanism, with its observations and recommendations playing a vital role in financial and administrative management and performance management in the United Nations system. His delegation had noted the

issuance of unqualified audit opinions for all the audited entities, and the view of the Board that the Organization's financial position was stable and healthy.

27. The Board had rightly observed that there was scope for further alignment of long-term strategies with the frontline activities for the implementation of the 2030 Agenda. That would help to ensure more coherent implementation and monitoring of the Sustainable Development Goals. While the primary responsibility for implementing the Goals lay with the Member States, the United Nations system had a recognized role to play in assisting national Governments.

28. His delegation had noted that implementation of the Umoja system and of IPSAS were on course, and in particular that the financial statements of nine of the audited entities had been prepared using Umoja. In line with the Board's recommendations, that positive momentum must be maintained for effective management of financial and other resources across the United Nations system. The concerns of the Board regarding the absence of appropriate funding arrangements to meet employee-benefit liabilities must be addressed expeditiously, and the scope for improved management of financial reserves must be explored.

29. For the sake of more prudent financial management, priority attention should be paid, in line with the recommendations of the Board, to defining clear criteria for the delegation of procurement authority, to improving management of procurement processes and contracts, and to exercising more oversight in connection with the process of collecting and collating information on staff for actuarial valuation.

30. As maintaining a culture of integrity in the United Nations and funds and programmes was important, fraud-risk assessments should be undertaken to identify weaknesses in procedure, in keeping with the recommendations of the Board. Effective implementation of the Anti-Fraud and Anti-Corruption Framework established in 2016 was an important step.

31. His delegation had noted the indication by the Board that some of its recommendations had yet to be implemented. Expeditious action was needed on those which had been pending for two or more years. More synergy in the implementation of the recommendations of the various oversight bodies within the United Nations system would help to consolidate system-wide gains.

32. His delegation looked forward to further details of the Secretary-General's reform proposals, and the roadmaps for their implementation, in the fields of peace

and security, the United Nations development system and internal management.

The meeting rose at 10.55 a.m.