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Administrative, financial and institutional matters
Audited financial statements for the biennium 2006–2007

Report of the United Nations Board of Auditors

Note by the Executive Secretary

Addendum

Comments by the secretariat

Summary

This document should be read in conjunction with the report of the United Nations Board of Auditors (FCCC/SBI/2008/13) and the financial statements for the biennium 2006–2007 (FCCC/SBI/2008/13/Add.2). It has been prepared to provide comments by the secretariat on the audit report and an account of the initial actions taken to implement the recommendations of the Board.

The secretariat agrees with most of the recommendations and has started taking concrete actions to implement them. An appropriate explanation is provided in the few cases where the secretariat does not believe that immediate action is possible or required.

In the Status of implementation column, “Implemented” indicates that no further action is required, “Under implementation” indicates that the secretariat has started undertaking the recommended action; and “Pending” indicates that no action has as yet been undertaken. In all cases, an appropriate note and explanation is provided.

Recommendations of the United Nations Board of Auditors	Comments by the secretariat	Status of implementation
<p>Recommendation 1, paragraph 16: The Board recommends that UNFCCC formulate and implement a write-off policy for long outstanding contributions.</p>	<p>As indicated in detail in annex 1 to the audited financial statements (FCCC/SBI/2008/13/Add.2), some Parties have not remitted their contributions for a number of years. As at 31 December 2007, 34 Parties were in arrears for at least four years; 18 of these had been in arrears since the establishment of the secretariat in 1996.</p> <p>It is for this reason that the United Nations Board of Auditors recommended the recognition of these long outstanding contributions and the formulation of a write-off policy. However, such action may be contrary to the principle that all Parties must participate in the funding of the secretariat budget. The Board itself notes on the 2006–2007 report (paragraph 13, page 11) that UNFCCC was following the practice of the United Nations, which does not provide for delay and does not write off any long outstanding contributions.</p> <p>The secretariat has requested the Board to reconsider this recommendation in line with the practice followed by the United Nations.</p>	<p>Cannot be implemented under the current practice at United Nations Headquarters</p>
<p>Recommendation 2, paragraph 27: The Board recommends that UNFCCC (a) review and determine the validity of travel obligations; and (b) establish a policy for the liquidation of obligations.</p>	<p>The liquidation of travel obligations is often dependent on the timeliness of response from the United Nations Development Programme (UNDP) with whom UNFCCC collaborates on workshops and meetings in less accessible areas. UNDP has recently started clearing some long outstanding items. In addition, some participants opting for self-tickets have taken time to submit their travel claims. The secretariat has intensified its efforts to ensure speedy clearing of the long outstanding travel claims, and will work to establish a policy for the liquidation of the travel obligations on an ongoing basis.</p>	<p>Under implementation</p>
<p>Recommendation 3, paragraph 33: The Board reiterates its previous recommendation that UNFCCC pursue its efforts to obtain full payment of indicative contributions from all Parties.</p>	<p>The secretariat regards this recommendation as fully implemented owing to regular efforts, including issuing two reports per year on the status of contributions and specific reminders to those in arrears. In spite of the number of Parties that are in arrears, unpaid contributions amounted to less than 3.5 per cent of total indicative contributions at the end of 2006–2007, which was an improvement on the previous biennium when they stood at 6.6 per cent.</p>	<p>Implemented</p>
<p>Recommendation 4, paragraph 36: The Board recommends that UNFCCC continue reminding the Parties of their outstanding international transaction log (ITL) assessments.</p>	<p>The secretariat will continue with its efforts to remind Parties of their outstanding ITL contributions.</p>	<p>Under implementation on an ongoing basis</p>

Recommendations of the United Nations Board of Auditors	Comments by the secretariat	Status of implementation
<p>Recommendation 5, paragraph 42: The Board recommends that UNFCCC, through the Parties, provide the appropriate funding for the settlement of end-of-service liabilities.</p>	<p>The secretariat would be in a strong position if the Parties provided in full the funding for the settlement of the end-of-service liabilities in full. Since some discussions are taking place at United Nations Headquarters regarding these liabilities in connection with the implementation of the International Public Sector Accounting Standards (IPSAS), UNFCCC will align its action to the recommendations provided. In the meantime, in the unlikely event that the secretariat is forced to abolish a significant number of posts affecting contracts of staff, there are adequate reserves under the relevant funds to cover the liabilities that would be due. Adequate provision is made within the existing financial processes to cover the required payments to staff leaving the secretariat. The secretariat will continue to monitor the level of reserves at the end of each biennium to ensure that there continue to be adequate reserves in the event of a total closure of the secretariat.</p>	<p>Implemented</p>
<p>Recommendation 6, paragraph 47: The Board recommends that UNFCCC determine the details pertaining to each piece of information and communication technology equipment to facilitate the reconciliation of the physical inventory against property records.</p>	<p>A comprehensive physical inventory exercise was undertaken in early 2008 and a full reconciliation of the information and communication technology (ICT) equipment done to clear the differences in the system. A report has been prepared for approval by the property survey board to dispose of obsolete ICT equipment in line with the existing United Nations policies and practices.</p>	<p>Implemented</p>
<p>Recommendation 7, paragraph 50: The Board recommends that UNFCCC consider all the necessary components in the final version of its IPSAS implementation plan.</p>	<p>The secretariat has recently completed a draft of the IPSAS implementation plan and presented it to the senior management for approval. Full implementation of IPSAS will be dependent on the completion of the installation of the new enterprise resource planning system by United Nations Headquarters, which will be used by the UNFCCC. The secretariat will continue to liaise with both the United Nations Office at Geneva and United Nations Headquarters to complete the IPSAS implementation process.</p>	<p>Under implementation</p>
<p>Recommendation 8, paragraph 52: The Board recommends that UNFCCC ensure that all vendors are duly registered prior to entering into contract with them.</p>	<p>The secretariat is in the process of developing a more appropriate system for the (evaluation and) registration of vendors to augment the one currently in use. Before the start of any tender process, all new vendors will be required to complete a registration form and a company profile form to ensure that contracts are not awarded to vendors who are not registered.</p>	<p>Under implementation</p>
<p>Recommendation 9, paragraph 56: The Board recommends that UNFCCC ensures that procurement actions be more accurately planned.</p>	<p>Procedures are being implemented to ensure that procurement action is more accurately planned, with adequate coordination between programmes within the secretariat and the procurement unit. This is being done taking into account good practices and in compliance with the United Nations procurement policy and procedures.</p>	<p>Under implementation</p>

Recommendations of the United Nations Board of Auditors	Comments by the secretariat	Status of implementation
<p>Recommendation 10, paragraph 60: The Board recommends that UNFCCC specifies in the purchase orders the terms of delivery and the corresponding penalty clause for late delivery.</p>	<p>The terms of delivery and corresponding penalty clauses are now included in the contracts with suppliers. The purchase orders will be modified to reflect the delivery terms as well.</p>	<p>Under implementation</p>
<p>Recommendation 11, paragraph 66: The Board recommends that UNFCCC indicate in the terms of reference for the hiring of consultants definite and realistic performance indicators to: (a) establish greater competitiveness of the selection process through a comprehensive central roster of consultants; and (b) monitor effectively the work of the consultants.</p>	<p>The secretariat will institute measures to strengthen the current system for reviewing and monitoring consultants as recommended.</p>	<p>Pending</p>
<p>Recommendation 12, paragraph 69: The Board recommends that UNFCCC pursue an information technology plan that would be in accordance with the Control Objectives for Information and related Technology (COBIT) standards.</p>	<p>Responsibilities for ICT are shared between the Information Services programme, responsible for ICT infrastructure and systems support, and certain programmes (such as Sustainable Development Mechanisms for the Clean Development Mechanism sub-programme and Records and Data Analysis for the International Transaction Log) that initiate and undertake information systems development based on mandates from Parties. UNFCCC agrees that an overall ICT plan is needed, and has already taken steps through the ICT Committee to commence work for the technical coordination, taking account of budgetary constraints. A comprehensive assessment of IT governance was initiated in August 2008 through the ICT Committee. This assessment, which is based on the COBIT methodology will lead to a secretariat-wide plan and an IT governance road map. It is anticipated that planning for a COBIT-based IT operations and systems service will begin in 2009, with implementation in the 2010–2011 biennium.</p>	<p>Under implementation</p>

Recommendations of the United Nations Board of Auditors	Comments by the secretariat	Status of implementation
<p>Recommendation 13, paragraph 72: The Board recommends that UNFCCC request OIOS to consider increasing the focus areas to be audited each year taking into account the risk assessment conducted and the availability of resources.</p>	<p>Under the current arrangements with the Office of Internal Oversight Services (OIOS), the internal auditor conducted a risk assessment exercise on the basis of which a number of high- and medium-risk areas were identified. Owing to resource constraints, the secretariat is working with OIOS on a cost-benefit approach to mitigate or reduce the risks through prioritization of the focus areas. An audit of the clean development mechanism has so far been completed, and audits of the Conference Affairs Services and Information Services programmes are scheduled for 2008. More audits are planned for 2009. The secretariat will explore the possibility of increasing OIOS capacity subject to availability of resources to ensure the continuation of a proper risk management process.</p>	<p>Under implementation</p>