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

Concise summary of the principal findings, conclusions and recommendations contained in the reports of the Board of Auditors for the annual financial period 2023

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly, pursuant to resolution 47/211, a concise summary of the principal findings, conclusions and recommendations contained in the reports of the Board of Auditors on its audit of accounts for the year ended 31 December 2023.

* A/79/150.

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Letters of transmittal

Letter dated 24 July 2024 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you a concise summary of the principal findings, conclusions and recommendations contained in the reports of the Board of Auditors for the annual financial period 2023.

(*Signed*) **Hou** Kai
Auditor General of the People's Republic of China
Chair of the Board of Auditors

Letter dated 24 July 2024 from the Chair of the Board of Auditors addressed to the Secretary-General

I have the honour to transmit to you the concise summary of the principal findings, conclusions and recommendations contained in the reports prepared by the Board of Auditors for the General Assembly at its seventy-ninth session.

(*Signed*) **Hou** Kai
Auditor General of the People's Republic of China
Chair of the Board of Auditors

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Abbreviations

ICT	Information and communications technology
IPSAS	International Public Sector Accounting Standards
IRMCT	International Residual Mechanism for Criminal Tribunals
ITC	International Trade Centre
OIOS	Office of Internal Oversight Services
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFPA	United Nations Population Fund
UN-Habitat	United Nations Human Settlements Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children’s Fund
UNITAR	United Nations Institute for Training and Research
UNODC	United Nations Office on Drugs and Crime
UNOPS	United Nations Office for Project Services
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UNU	United Nations University
UN-Women	United Nations Entity for Gender Equality and the Empowerment of Women
WFP	World Food Programme

Concise summary of the principal findings, conclusions and recommendations contained in the reports of the Board of Auditors for the annual financial period 2023

Summary

The General Assembly, in its resolution 47/211, invited the Board of Auditors to report in a consolidated fashion on major deficiencies in programme and financial management and cases of inappropriate or fraudulent use of resources, together with the measures taken by the relevant entities. The findings, conclusions and recommendations included in the present report relate to the common themes and major issues identified in the Board's reports addressed to the Assembly on 18 entities (see annex I). The contents of the Board's reports to other governing bodies are not summarized herein.

The present report provides a summary of the major issues, including performance matters, set out in the separate reports on the United Nations entities submitted to the General Assembly. Most of the issues contained in the present report are of a cross-cutting nature on the predetermined audit themes based on established audit risks and special requests made by the Advisory Committee on Administrative and Budgetary Questions.

I. Scope and mandate

1. Pursuant to the mandate provided by the General Assembly in its resolutions 47/211 and 68/19 A, the present report includes findings, conclusions and recommendations identified in the reports of the Board of Auditors for 2023, addressed to the Assembly, on 18 entities, including United Nations peacekeeping operations[1] (see annex I). The Board has continued to provide information on cross-entity issues, as requested by the Chair of the Advisory Committee on Administrative and Budgetary Questions on 27 January 2014 and reiterated on 19 February 2015, and on the understanding that the Committee still finds the presentation useful (see A/70/380).

2. To better support the General Assembly in its governance role, the Board also includes the financial figures and key findings and recommendations for United Nations peacekeeping operations in the present report in order to provide a more comprehensive picture. The Assembly, on 28 June 2024, adopted resolution 78/242 B, in which it took note of the audit opinions and findings and endorsed the recommendations contained in the report of the Board.

3. The Board has therefore continued to report on key trends and cross-entity issues in its entity-level reports and included commentaries in the present summary report on financial performance, cash and investment management, receivables, employee benefits liabilities, revenue, expenses and fraud and presumptive fraud. Related findings arising from the audits of the 18 entities are reported in section III of the present report, with reflections for further improvement. In addition, a special chapter covering financial and budget performance is included in the present report (sect. V). The Board reports on the status of implementation of outstanding recommendations in section IV.

II. General matters regarding the audited entities

A. Audit opinions

4. The Board audited the financial statements and reviewed the operations of 18 entities (see annex I), in accordance with General Assembly resolution 74 (I) of 7 December 1946.

5. All 18 entities received unqualified audit opinions (for a definition of the types of audit opinions, see annex II). UNRWA received an unqualified opinion, with an emphasis of matter.[2]

6. In accordance with regulations 7.5 and 7.11 of the Financial Regulations and Rules of the United Nations, the Board has issued short-form reports reflecting its audit opinions, together with long-form reports, which contain detailed findings and recommendations arising from each audit.

[1] The peacekeeping operations have an annual financial cycle ending 30 June; therefore, the figures relating to those operations are as at that date unless otherwise indicated.

[2] An emphasis of matter is intended to draw users' attention to a matter presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements.

B. Financial performance

Financial overview

7. The Board analysed the financial statements in 17 audited entities[3] and noted a slight decrease in assets. Among those entities, four experienced a decline in assets, including UNICEF, which saw a $1.60 billion (8.4 per cent) decrease compared with the previous year, owing mainly to the decrease in procurement services-related assets. Meanwhile, 13 entities experienced an increase in total assets, with a growth of $1.66 billion (4 per cent). For example, the total assets of UNDP increased by $457.07 million (3.1 per cent) as a result of an increase in short-term investments.

8. With regard to total liabilities, two entities experienced a decline in liabilities, including UNICEF, which saw a $2.03 billion (30.7 per cent) decrease compared with the previous year, owing mainly to a decline in funds held on behalf of third parties. Meanwhile, 15 entities experienced an increase in liabilities, including the operations of the United Nations as reported in volume I, with an increase of $558.70 million (8 per cent) compared with the previous year, owing mainly to an increase in employee benefits liabilities by $476.52 million.

9. In terms of total revenue, 10 entities experienced an increase, while the remaining 7 experienced a decrease. The total revenue of UNDP increased by $612.26 million (11.5 per cent) because of the increase in voluntary contributions. Conversely, UNICEF saw a decrease of $1.40 billion (13.5 per cent) in total revenue, owing mainly to the significant reduction in voluntary contributions for the coronavirus disease (COVID-19) response and to assistance for Ukraine. Moreover, the total revenue of UNHCR decreased by $1.36 billion (22.4 per cent), owing mainly to the decrease in voluntary contributions owing to the fall in donations linked to the Ukraine crisis.

10. The total expenses of 12 entities increased in 2023, while the other 5 experienced a decrease. UNICEF experienced a significant growth in expenses, with an increase of $495.44 million (5.8 per cent) compared with the previous year, driven primarily by the higher transfer of programme supplies expenses, mostly to Ukraine, its neighbouring countries and Afghanistan. The expenses of UNRWA increased by $148.16 million (11.3 per cent), owing mainly to the impairment of Gaza property, plant and equipment amounting to $199.81 million because of the conflict in Gaza. However, the total expenses of UNU decreased by $64.67 million (44.3 per cent), owing mainly to the net investment revenue recognized in 2023.

11. Overall, those entities displayed a healthy financial performance in 2023. The status of revenue, expenses, assets and liabilities for 17 entities as at 31 December 2023 is shown in table 1.

[3] The United Nations Joint Staff Pension Fund is not included because it follows International Accounting Standard 26 and IPSAS for financial reporting purposes.

Table 1
Comparison of revenue/expenses and assets/liabilities of the various entities
(Thousands of United States dollars)

	Total revenue		*Total expense*		*Total assets*		*Total liabilities*	
Entity	*2023*	*2022*	*2023*	*2022*	*2023*	*2022*	*2023*	*2022*
United Nations (Vol. I)	7 587 446	7 348 269	7 915 055	7 712 972	11 703 101	11 662 841	7 512 341	6 953 643
United Nations peacekeeping operations	6 989 676	6 768 863	7 226 664	7 091 307	4 429 881	4 740 218	3 917 524	4 014 679
ITC	159 525	155 946	158 784	158 451	374 096	331 071	386 739	339 103
United Nations Capital Development Fund	167 602	202 001	100 780	116 211	485 506	417 342	24 382	19 448
UNDP	5 934 364	5 322 106	5 584 134	5 347 552	15 279 305	14 822 233	3 217 866	3 072 740
UNEP	975 477	954 159	696 642	651 319	3 485 444	3 145 273	541 330	486 539
UNFPA[a]	1 565 289	1 669 615	1 510 418	1 472 131	2 930 326	2 793 740	522 338	459 918
UN-Habitat	215 393	187 850	162 405	203 478	617 303	498 686	163 625	123 054
UNICEF	8 932 123	10 329 055	9 036 662	8 541 219	17 381 698	18 980 615	4 588 636	6 619 188
UNITAR	44 865	43 873	49 475	41 361	75 740	76 919	29 733	21 966
UNHCR[a]	4 707 316	6 067 443	5 297 422	5 483 450	5 076 727	5 340 106	1 876 518	1 470 581
UNODC[a]	529 424	430 649	451 512	398 486	1 392 310	1 317 231	376 754	376 300
UNOPS	1 216 962	1 224 424	1 238 763	1 222 875	3 796 069	3 676 678	3 502 259	3 352 641
UNRWA[a]	1 533 384	1 190 227	1 460 546	1 312 390	972 950	889 981	913 868	902 271
UNU	117 779	54 187	81 440	146 107	565 980	521 509	73 146	66 836
UN-Women[a]	619 057	667 998	546 103	536 291	1 455 159	1 324 696	192 973	134 093
IRMCT	76 239	80 243	79 295	85 716	227 721	225 092	145 785	136 299

Source: Financial statements of the individual entities.
[a] Differences between the figures reported in the concise summary for 2022 (A/78/215) and the same figures for 2022 in the present report are due to restatements made by management.

Net results

12. The Board compared the net results of the financial performance of the 17 audited entities at the end of 2022 and 2023, as presented in table 2. It was noted that 12 entities concluded the financial year with a surplus, while 5 reported a deficit. Among those five entities, IRMCT had a deficit for the fifth consecutive year, whereas United Nations peacekeeping operations experienced a deficit for the third consecutive year and United Nations operations as reported in volume I experienced a deficit for the second consecutive year. The remaining two entities (UNITAR and UNHCR) recorded a surplus in the preceding year.

13. The deficit of $327.61 million in the financial statements of United Nations operations as reported in volume I in 2023 was due primarily to the increase in employee salaries, allowances and benefits. The deficit of $590.11 million in UNHCR was due mainly to the decrease in voluntary contributions because of the fall in donations linked to the Ukraine crisis. The deficit of $4.61 million in UNITAR was due mainly to the increase in various expenses and exceptional refunds to a donor, and the deficit of $3.06 million in IRMCT was due mainly to the decrease in assessed contributions.

14. In general, the Board noted that 7 entities experienced a decline in their surplus/deficit position, while the remaining 10 showed improvement in that regard. The reasons for those changes are detailed in the individual audit reports of the entities.

Table 2
Comparison of surplus/deficit and net assets of the various entities
(Thousands of United States dollars)

	Surplus or deficit		*Net assets*	
Entity	*2023*	*2022*	*2023*	*2022*
United Nations (Vol. I)	(327 609)	(364 703)	4 190 760	4 709 198
United Nations peacekeeping operations	(236 988)	(322 444)	512 357	725 539
ITC	741	(2 505)	(12 643)	(8 032)
United Nations Capital Development Fund	66 822	85 790	461 124	397 894
UNDP	350 230	(25 446)	12 061 439	11 749 493
UNEP	278 835	302 840	2 944 114	2 658 734
UNFPA[a]	54 871	197 484	2 407 988	2 333 822
UN-Habitat	52 988	(15 628)	453 678	375 632
UNICEF	51 255	1 854 915	12 793 062	12 361 427
UNITAR	(4 610)	2 512	46 007	54 953
UNHCR[a]	(590 106)	583 993	3 200 209	3 869 525
UNODC[a]	77 912	32 163	1 015 556	940 931
UNOPS	41 325	(28 780)	293 810	324 037
UNRWA[a]	72 838	(122 163)	59 082	(12 290)
UNU	36 339	(91 920)	492 834	454 673
UN-Women	79 501	130 815	1 262 186	1 190 603
IRMCT	(3 056)	(5 473)	81 936	88 793

Source: Financial statements of the individual entities.
[a] Differences between the figures reported in the concise summary for 2022 (A/78/215) and the same figures for 2022 in the present report are due to restatements made by management.

15. Table 2 shows the changes in net assets as at the end of 2022 and 2023. As at 31 December 2023, 16 entities had positive net assets, while 1 entity, ITC, had negative net assets for the fifth consecutive year. Moreover, the net assets of ITC decreased by $4.61 million compared with the previous year. This decrease was due mainly to the actuarial loss on employee benefits liabilities. The net assets of UNRWA increased by $71.37 million compared with the previous year owing to increased contributions to the Agency, in particular with respect to the emergency appeals made following the outbreak of the conflict in Gaza.

16. Furthermore, the Board noted that the net assets of United Nations operations as reported in volume I, United Nations peacekeeping operations, UNITAR, UNHCR, UNOPS and IRMCT had decreased compared with the previous year. For United Nations operations as reported in volume I, the decrease in net assets of $518.44 million was due mainly to actuarial losses on employee benefits liabilities and the deficit for the year. For United Nations peacekeeping operations and UNHCR, the decreases in net assets of $213.18 million and $669.32 million, respectively, were due mainly to the deficits incurred during the year. For UNOPS, net assets dropped by $30.23 million owing mainly to the approved distribution to UNOPS donors.

17. By contrast, the Board noted that UNDP, UNEP and UNICEF experienced a significant increase in net assets compared with the previous year. The net assets of UNDP increased by $311.95 million compared with the previous year. That increase was due mainly to the increase in voluntary contributions and investment revenue.

For UNEP, the increase in net assets of $285.38 million was due mainly to the surplus for the year. For UNICEF, the increase in net assets of $431.64 million was due mainly to the increase in the fair value of financial assets and the actuarial gain from changes in employee benefits liabilities.

Ratios

18. Ratio analysis is a quantitative analysis of information provided in the financial statements. Four main ratios are discussed in the present report: solvency 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).

19. Ratio analysis provides an assessment of financial sustainability and liquidity across United Nations entities (see table 3). In general, a ratio of 1 is considered a sound indicator of financial sustainability and/or liquidity. Detailed explanations of each ratio are provided in the notes to table 3.

20. In general, the financial position of all entities remained at least sufficient. The liquidity ratios were comfortably high for most of the entities. If there are no further improvements, those entities with ratios near or below 1 may face potential solvency issues in the future.

21. A solvency ratio above 1 indicates an entity's ability to meet its overall obligations. Of all 17 entities, 1 has a ratio below 1 (ITC, at 0.97). Given that the major part of the liability of ITC is of a long-term nature, composed mainly of employee benefits liabilities and liabilities for conditional arrangements, there is no immediate threat to its solvency, whereas it needs to strengthen its asset position over the long term. Five entities have a solvency ratio above but close to 1 (UNRWA, at 1.06; UNOPS, at 1.08; United Nations peacekeeping operations, at 1.13; IRMCT, at 1.56; and United Nations operations as reported in volume I, at 1.56). The remaining 11 entities have a solvency ratio comfortably above 1 (between 2.55 for UNITAR and 19.91 for the United Nations Capital Development Fund).

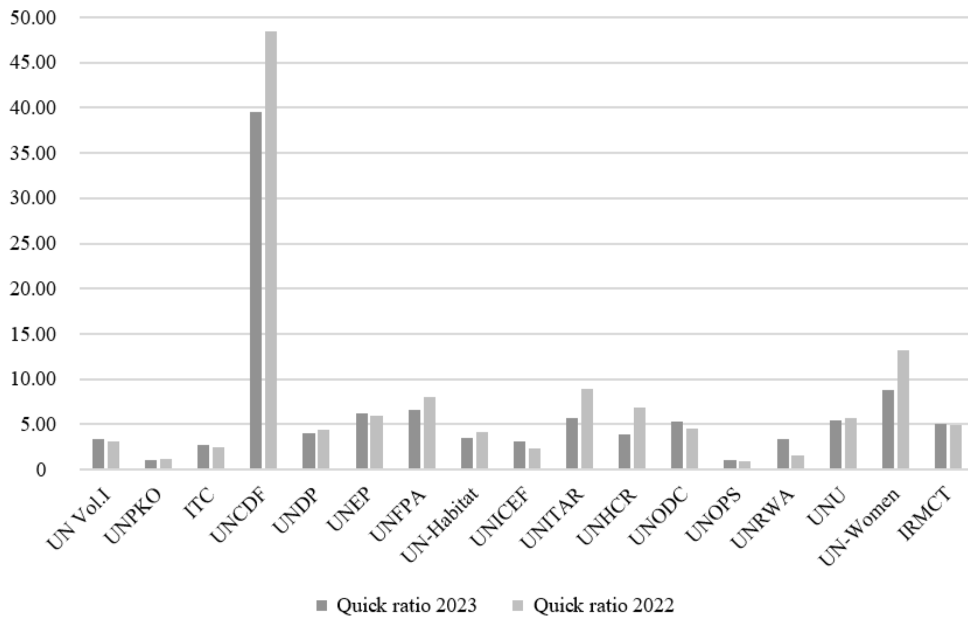
22. The Board further noted that the cash ratio of United Nations peacekeeping operations remained less than 1, from 0.48 in 2022 to 0.30 in 2023. The cash ratios of the peacekeeping missions decreased. The cash ratio was above or close to 1 for only two missions, while it was close to zero for other missions as at 30 June 2023.

23. With respect to UNOPS, the Board noted that, in 2023, there was a slight increase in the current ratio (1.05), quick ratio (1.05), and cash ratio (0.94) compared with the preceding year. However, its cash ratio remained below 1. Although its cash holdings and short-term investments increased in 2023, there was also an increase in its current liabilities, namely, with accounts payable and accruals and deferred revenue. As a result, its cash ratio improved nominally, compared with that of 2022 (0.82).

24. With regard to United Nations operations as reported in volume I, the major financial ratios have remained stable over the past three years. However, through a structural analysis of the financial situation by fund group, the Board noted that, for regular budget and related funds, the cash ratio continued to worsen, standing at 0.19, 0.69 and 0.11 at the year end of 2021, 2022 and 2023, respectively, indicating an increasing liquidity challenge.

25. A visual representation of the comparison of quick ratios among the 17 entities for the years 2023 and 2022 is shown in figure I.

Figure I
Comparison of quick ratios of various entities



Source: Financial statements of the individual entities and calculated by the Board.

26. Even though the ratios, in general, showed sufficient solvency and the liquidity ratios were sufficient (with the exception of United Nations peacekeeping operations), liquidity trends should be monitored constantly in order to manage liquidity risks.

Table 3
Ratio analysis as at 31 December 2023

	Solvency ratio: total assets/total liabilities[a]		*Current ratio: current assets/ current liabilities*[b]		*Quick ratio: (cash + short-term investments + accounts receivable)/ current liabilities*[c]		*Cash ratio: (cash + short-term investments)/ current liabilities*[d]	
Entity	*2023*	*2022*	*2023*	*2022*	*2023*	*2022*	*2023*	*2022*
United Nations (Vol. I)	1.56	1.68	3.52	3.28	3.37	3.05	2.36	2.31
United Nations peacekeeping operations	1.13	1.18	1.29	1.32	1.10	1.17	0.30	0.48
ITC	0.97	0.98	2.92	2.56	2.76	2.41	1.48	1.18
United Nations Capital Development Fund	19.91	21.46	40.07	48.90	39.54	48.46	15.63	27.56
UNDP	4.75	4.82	4.22	4.60	4.06	4.45	2.48	2.70
UNEP[e]	6.44	6.46	7.22	7.03	6.20	5.99	4.83	4.42
UNFPA[e]	5.61	6.07	7.54	9.00	6.58	8.00	3.65	5.04
UN-Habitat	3.77	4.05	3.77	4.40	3.44	4.16	1.80	2.12
UNICEF[e]	3.79	2.87	3.73	2.74	3.15	2.37	1.93	1.56
UNITAR	2.55	3.50	6.73	10.20	5.70	8.90	3.15	5.81
UNHCR[e]	2.71	3.63	5.11	8.28	3.91	6.82	2.42	4.41
UNODC[e]	3.70	3.50	5.44	4.77	5.28	4.58	4.28	3.55
UNOPS	1.08	1.10	1.05	0.87	1.05	0.86	0.94	0.82
UNRWA[e]	1.06	0.99	3.59	2.01	3.33	1.56	2.98	1.31

Entity	Solvency ratio: total assets/total liabilities[a]		Current ratio: current assets/ current liabilities[b]		Quick ratio: (cash + short-term investments + accounts receivable)/ current liabilities[c]		Cash ratio: (cash + short-term investments)/ current liabilities[d]	
	2023	*2022*	*2023*	*2022*	*2023*	*2022*	*2023*	*2022*
UNU	7.74	7.80	5.52	5.71	5.49	5.66	3.74	3.08
UN-Women	7.54	9.88	9.65	14.54	8.79	13.13	5.12	7.50
IRMCT	1.56	1.65	5.12	4.95	5.08	4.92	3.55	3.37

Source: Audit reports of the Board.

[a] A high ratio (1 or higher) indicates an entity's ability to meet its overall obligations.

[b] A high ratio (1 or higher) indicates an entity's ability to pay off its current liabilities.

[c] The quick ratio is more conservative than the current ratio, because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

[d] The cash ratio is an indicator of an entity's liquidity; it measures the amount of cash, cash equivalents or invested funds that are in current assets to cover current liabilities.

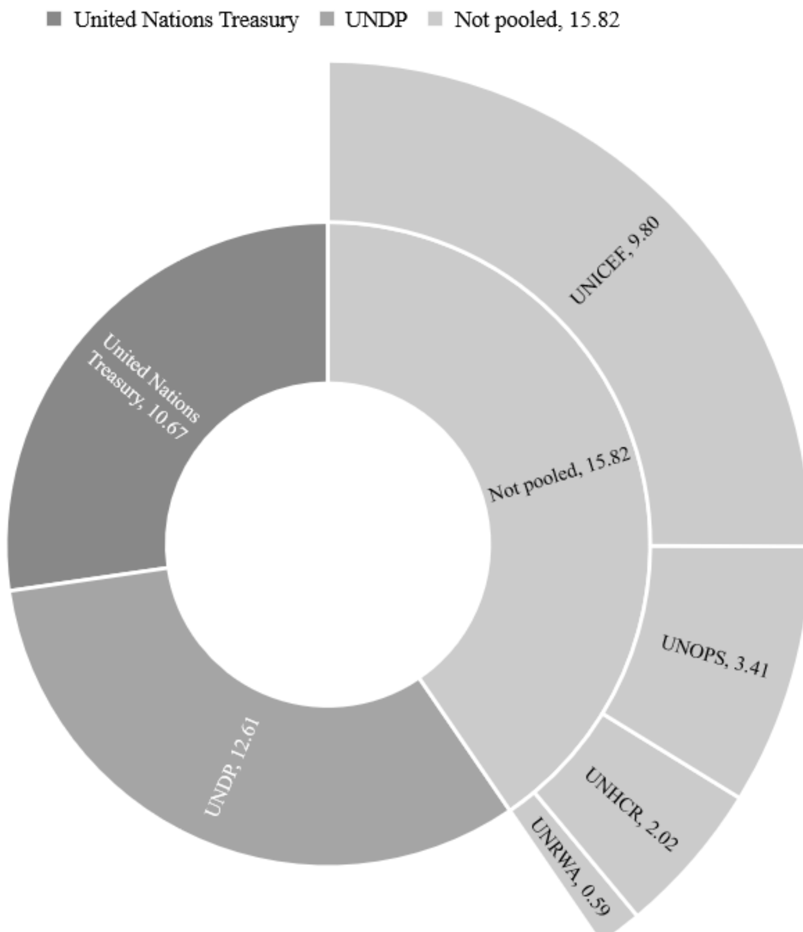
[e] Differences between the figures reported in the concise summary for 2022 and the same figures for 2022 in the present report are due to restatements made by management.

C. Cash and investment management

27. The United Nations and several of its funds and programmes manage significant amounts of cash and investments. In some cases, the administrations have established specialized treasury functions to support their individual needs, and some also provide cash management services to other organizations. With the implementation Umoja, the United Nations implemented a house bank system in which bank accounts are no longer associated with individual entities. In the house bank system, bank accounts are maintained by currency and country, and all participating entities use them for carrying out transactions. The United Nations Treasury maintains an investment pool to invest the pooled amounts of participating entities, as shown in figure II.

Figure II
United Nations cash and investment pooling and others, 2023[a]

(Billions of United States dollars)



Source: Financial statements and information provided by the various entities.

[a] The "not pooled" label refers to funds not pooled or managed by another United Nations entity.

28. As at 31 December 2023, eight of the audited entities[4] were participating in the investment pool maintained by the United Nations Treasury, which managed cash and investments of $10.67 billion in its investment pool. In addition, UNDP managed investments totalling $12.61 billion for its own programme and for other United Nations entities under service-level agreements covering four entities[5] included in the present report. Four entities (UNICEF, UNHCR, UNOPS and UNRWA) had a total of $15.82 billion in cash and investments that were not pooled or managed by others (see figure II).

29. As cash balances, transaction volumes and payment currencies increase, professional cash management becomes essential. It ensures optimal utilization of cash, mitigates risks, forecasts cash flows accurately, ensures compliance, diversifies investments and leverages technology to efficiently manage financial operations. Furthermore, it is vital for the United Nations and its funds and programmes to

[4] United Nations operations as reported in volume I, United Nations peacekeeping operations, ITC, UNEP, UN-Habitat, UNODC, UNU and IRMCT.

[5] United Nations Capital Development Fund, UNFPA, UNITAR and UN-Women. The investment balances shown also include investments outsourced by UNDP to external fund managers.

manage funds by means of a strategy because it ensures financial stability, operational continuity, programme implementation and financial accountability. In order to ensure that investment pool risks and returns are managed properly, the United Nations Treasury relies on a team of dedicated staff who are investment professionals to manage the pooled funds and to provide daily liquidity to all pool participants.

30. The status of cash, cash equivalents and investments for 17 entities[6] as at 31 December 2023 is shown in table 4. Such assets accounted for the majority of assets across all entities. For 11 entities, the assets represented more than half of total assets. For UNOPS and UNU, they represented more than 80 per cent of total assets.

31. In general, investments (short-term and long-term investments; see table 4) were stable. As at 31 December 2023, investments were above $1 billion for six entities (United Nations operations as reported in volume I, UNDP, UNFPA, UNEP, UNICEF and UNOPS).

Table 4
Cash, cash equivalents and investments as at 31 December 2023
(Thousands of United States dollars)

	Cash and cash equivalents		*Investments (short + long term)*		*Total assets*		*Cash and investments as a percentage of total assets*		
Entity	*2023*	*2022*	*2023*	*2022*	*2023*	*2022*	*2023*	*2022*	*With whom have the resources been pooled/managed*
United Nations (Vol. I)	729 288	851 871	4 900 914	4 996 887	11 703 101	11 662 841	48.11	50.15	United Nations Treasury
United Nations peacekeeping operations	205 672	272 824	757 160	1 228 734	4 429 881	4 740 218	21.73	31.68	United Nations Treasury
ITC	22 058	21 802	137 465	124 601	374 096	331 071	42.64	44.22	United Nations Treasury
United Nations Capital Development Fund	23 778	63 668	194 906	175 353	485 506	417 342	45.04	57.27	UNDP
UNDP[a]	1 005 265	867 595	8 792 015	8 542 427	15 279 305	14 822 233	64.12	63.49	UNDP
UNEP	252 090	243 628	1 707 043	1 450 620	3 485 444	3 145 273	56.21	53.87	United Nations Treasury
UNFPA[b]	181 762	363 145	1 527 768	1 354 493	2 930 326	2 793 740	58.34	61.48	UNDP
UN-Habitat	37 801	37 051	255 763	220 256	617 303	498 686	47.56	51.60	United Nations Treasury
UNICEF	1 112 057	1 008 802	8 684 722	8 958 688	17 381 698	18 980 615	56.36	52.51	Not pooled
UNITAR	4 809	9 516	41 011	40 924	75 740	76 919	60.50	65.58	UNDP
UNHCR[b]	2 018 333	2 307 447	–	–	5 076 727	5 340 106	39.76	43.21	Not pooled
UNODC[b]	133 880	136 674	907 377	813 700	1 392 310	1 317 231	74.79	72.15	United Nations Treasury
UNOPS	702 587	604 609	2 705 572	2 890 856	3 796 069	3 676 678	89.78	95.07	Not pooled
UNRWA[b]	588 251	276 345	–	–	972 950	889 981	60.46	31.05	Not pooled
UNU[c]	28 449	18 786	438 099	401 596	565 980	521 509	82.43	80.61	United Nations Treasury

[6] All entities except the United Nations Joint Staff Pension Fund.

Entity	Cash and cash equivalents		Investments (short + long term)		Total assets		Cash and investments as a percentage of total assets		With whom have the resources been pooled/managed
	2023	2022	2023	2022	2023	2022	2023	2022	
UN-Women	210 303	122 040	623 836	638 398	1 455 159	1 324 696	57.32	57.40	UNDP
IRMCT	20 582	22 836	139 367	135 946	227 721	225 092	70.24	70.54	United Nations Treasury

Source: Financial statements of the individual entities.

[a] Includes funds held in trust balances.

[b] Differences between the figures reported in the concise summary for 2022 and the same figures for 2022 in the present report are due to restatements made by management.

[c] Of the total cash and investments of $466.55 million, $399.62 million, or 86 per cent, comprises the UNU Endowment Fund, which is managed by a global investment firm and overseen by the Office of Investment Management of the United Nations Joint Staff Pension Fund; $40.13 million, or 9 per cent, relates to the cash and investments pooled with the United Nations Treasury.

D. Receivables

32. Receivables are considered cash or other assets owed to the organization by another party. Receivables are recognized when a binding transfer arrangement is in place, but cash or other assets have not been received. The Board analysed receivables from the following three perspectives:

(a) Total receivables (assessed contributions, voluntary contributions and other receivables);

(b) Receivables outstanding for one year or longer;

(c) Receivables from other United Nations entities.

33. As at 31 December 2023, the 17 United Nations entities included in table 5 had accumulated total receivables (assessed contributions, voluntary contributions and other receivables) of $20,728 million (2022: $19,743 million); receivables outstanding for one year or longer reached $1,191 million (2022: $985 million); and receivables from other United Nations entities amounted to $1,345 million (2022: $1,169 million).

34. The Board noted that 13 entities had increased receivables compared with the previous year. The entity with the highest receivables was UNDP, at $5,053 million, owing to commitments and agreements made with funding partners, including those made for future years.

35. In 2023, UNEP had the highest receivables from other United Nations entities, at $735 million. This was due to underlying agreements between UNEP, the Global Environment Facility and the World Bank that cover more than one year and the fact that those funds are disbursed to UNEP from the Global Environment Facility in tranches of $20 million every two to three months, depending on cash-flow needs.

36. Ten entities had receivables of more than $10 million that had been outstanding for one year or more. For one entity (IRMCT), receivables outstanding for one year or more amounted to 79 per cent of its total receivables.

Table 5
Receivables as at 31 December 2023
(Thousands of United States dollars)

	Total receivables (assessed contributions, voluntary contributions and other receivables)		*Receivables outstanding for one year or more*		*Receivables from other United Nations entities*	
Entity	*2023*	*2022*	*2023*	*2022*	*2023*	*2022*
United Nations (Vol. I)	2 614 407	2 241 743	93 503	65 994	104 776	145 472
United Nations peacekeeping operations	1 877 389	1 696 782	569 352	488 755	20 332	13 599
ITC	198 874	168 971	–	–	2 450	1 148
United Nations Capital Development Fund	261 816	174 050	395	246	24 423	1 917
UNDP	5 053 083	5 053 938	15 755	28 980	5 266	32
UNEP	1 138 685	1 095 099	275 091	234 936	735 276	674 646
UNFPA[a]	1 031 066	907 585	22 342	3 320	55 645	39 810
UN-Habitat	279 043	218 113	70 128	45 409	30 192	25 578
UNICEF	4 921 376	4 979 354	21 709	37 485	262 403	206 238
UNITAR	22 064	19 884	276	10	6 591	4 929
UNHCR	1 960 717	2 079 418	53 969	9 346	47 149	27 545
UNODC	313 919	326 404	1 907	9 095	13 789	7 865
UNOPS	355 798	145 798	13 878	15 721	36 811	18 387
UNRWA[a]	70 305	53 027	9 880	2 335	163	154
UNU	40 515	44 963	1 864	1 598	14	95
UN-Women	528 606	485 571	637	432	–	1 341
IRMCT	54 469	52 444	43 144	40 909	16	–

Source: Financial statements of the individual entities.
[a] Differences between the figures reported in the concise summary for 2022 and the same figures for 2022 in the present report are due to restatements made by management.

E. Employee benefits liabilities

37. Employee benefits include short-term employee benefits, long-term employee benefits, post-employment benefits and termination benefits.

38. Post-employment benefits are those payable after completion of employment, excluding termination payments. Post-employment benefits include pension plans, post-employment medical care (after-service health insurance), repatriation grants and other lump sums payable after the completion of employment. Pension benefits are paid through the United Nations Joint Staff Pension Fund.

39. The status of employee benefits liabilities (excluding pension benefits) in the various entities is presented in table 6. For 14 entities, such liabilities represented more than one quarter (25 per cent) of total liabilities; for 8 entities, they were more than half of total liabilities. For UNRWA and the United Nations Capital Development Fund, employee benefits liabilities were more than 80 per cent of total liabilities.

40. Except for UNDP, UN-Habitat, UNICEF and UNU, employee benefits liabilities of all other entities increased compared with the previous year. The increase was attributable mainly to the decrease in the discount rate and changes in other actuarial assumptions. For UNDP and UNICEF, the decrease in employee benefits liabilities

was due mainly to the actual benefits paid and other changes in actuarial assumptions, such as a decrease in per capita medical claims. Employee benefits liabilities of UN-Habitat and UNU remained stable compared with the previous year.

41. After-service health insurance is a health insurance plan for former staff members and their dependants, which is available only as a continuation, without interruption between active service and retirement status, of previous active-service coverage in a contributory health insurance plan of the United Nations. Such post-employment medical care accounted for most employee benefits liabilities for all the entities, except UNRWA.

42. In 2023, the highest amounts for after-service health insurance liabilities were held by United Nations operations as reported in volume I, United Nations peacekeeping operations and UNICEF, which is in line with the large number of staff in those entities.

Table 6
Status of employee benefits liabilities in the various entities as at 31 December 2023
(Thousands of United States dollars)

	Total employee benefits liabilities[a]		*Total liabilities*		*Total employee benefits liabilities as a percentage of total liabilities*		*After-service health insurance*	
Entity	*2023*	*2022*	*2023*	*2022*	*2023*	*2022*	*2023*	*2022*
United Nations (Vol. I)	5 493 622	5 017 102	7 512 341	6 953 643	73.13	72.15	4 752 619	4 341 145
United Nations peacekeeping operations	1 676 714	1 629 713	3 917 524	4 014 679	42.80	40.59	1 289 069	1 208 980
ITC	165 704	154 165	386 739	339 103	42.85	45.46	149 990	138 043
United Nations Capital Development Fund	20 756	17 668	24 382	19 448	85.13	90.85	14 171	11 414
UNDP	1 171 962	1 240 402	3 217 866	3 072 740	36.42	40.37	807 557	891 107
UNEP	233 654	222 559	541 330	486 539	43.16	45.74	183 539	177 973
UNFPA	351 903	348 005	522 338	459 918	67.37	75.67	273 969	278 368
UN-Habitat	37 334	38 073	163 625	123 054	22.82	30.94	26 390	27 712
UNICEF	1 496 375	1 641 507	4 588 636	6 619 188	32.61	24.80	1 133 306	1 304 433
UNITAR	23 061	17 629	29 733	21 966	77.56	80.26	19 750	15 007
UNHCR[b]	1 217 696	1 121 294	1 876 518	1 470 581	64.89	76.25	916 438	833 927
United Nations Joint Staff Pension Fund	105 379	94 375	518 613	691 381	20.32	13.65	92 386	83 598
UNODC	134 087	115 510	376 754	376 300	35.59	30.70	89 571	75 704
UNOPS	122 365	111 141	3 502 259	3 352 641	3.49	3.32	69 909	63 430
UNRWA	808 416	779 844	913 868	902 271	88.46	86.43	619	624
UNU	12 148	12 508	73 146	66 836	16.61	18.71	6 065	7 020
UN-Women	122 811	108 093	192 973	134 093	63.64	80.61	79 582	77 196
IRMCT	83 388	75 090	145 785	136 299	57.20	55.09	67 396	58 780

Source: Financial statements and information provided by the individual entities.
[a] Excluding pension liabilities.
[b] Differences between the figures reported in the concise summary for 2022 and the same figures for 2022 in the present report are due to restatements made by management.

F. Revenue

43. Table 7 presents the total revenue for the years 2023 and 2022. It was noted by the Board that, of the 17 audited entities, 10 showed an increase in revenue in 2023. The increases ranged from 2.23 per cent for UNEP to 117.36 per cent for UNU.

44. As at the end of the financial year, UNICEF and United Nations operations as reported in volume I recorded the highest revenue among the 17 audited entities. The total revenue of UNICEF amounted to $8,932 million, which was approximately $1,397 million (13.52 per cent) lower than the previous year. United Nations operations as reported in volume I reported total revenue of $7,587 million, indicating an increase of $239 million (3.25 per cent).

45. In terms of funding resources, six entities received assessed contributions during the period. United Nations peacekeeping operations received the largest portion of assessed contributions from Member States, with revenue from assessed contributions amounting to $6,494 million during the period. This accounted for 92.91 per cent of the total revenue. Meanwhile, 43.21 per cent ($3,278 million) of revenue for United Nations operations as reported in volume I was derived from assessed contributions, which was the second-largest portion.

Table 7
Comparison between total revenue in 2023 and 2022
(Thousands of United States dollars)

Entity	*Total revenue*		*Difference*	*Difference as a percentage of total revenue*
	2023	*2022*		
United Nations (Vol. I)	7 587 446	7 348 269	239 177	3.25
United Nations peacekeeping operations	6 989 676	6 768 863	220 813	3.26
ITC	159 525	155 946	3 579	2.30
United Nations Capital Development Fund	167 602	202 001	(34 399)	(17.03)
UNDP	5 934 364	5 322 106	612 258	11.5
UNEP	975 477	954 159	21 318	2.23
UNFPA[a]	1 565 289	1 669 615	(104 326)	(6.25)
UN-Habitat	215 393	187 850	27 543	14.66
UNICEF	8 932 123	10 329 055	(1 396 932)	(13.52)
UNITAR	44 865	43 873	992	2.26
UNHCR	4 707 316	6 067 443	(1 360 127)	(22.42)
UNODC[a]	529 424	430 649	98 775	22.94
UNOPS	1 216 962	1 224 424	(7 462)	(0.61)
UNRWA	1 533 384	1 190 227	343 157	28.83
UNU	117 779	54 187	63 592	117.36
UN-Women[a]	619 057	667 998	(48 941)	(7.33)
IRMCT	76 239	80 243	(4 004)	(4.99)

Source: Financial statements and information provided by the individual entities.
[a] Differences between the figures reported in the concise summary for 2022 and the same figures for 2022 in the present report are due to restatements made by management.

G. Expenses

46. Table 8 sets out the total expenses over two years (2023 and 2022). The Board noted that 13 entities showed an increase in 2023 (between 0.21 per cent for ITC and 60.12 per cent for the United Nations Joint Staff Pension Fund).

47. As at the end of the financial year, UNICEF and United Nations operations as reported in volume I had the highest expenses of all 18 audited entities. The total expenses of UNICEF amounted to $9,037 million, approximately $495 million more than 2022, and the total expenses of United Nations operations as reported in volume I amounted to $7,915 million, indicating an increase of $202 million.

Table 8
Total expenses and staff costs for 2023 and 2022
(Thousands of United States dollars and number of staff members)

	Total expenses		*Staff costs (employee salaries, benefits and allowances)*		*Number of staff members*		*Staff costs per staff member*	
Entity	*2023*	*2022*	*2023*	*2022*	*2023*	*2022*	*2023*	*2022*
United Nations (Vol. I)	7 915 055	7 712 972	3 321 045	3 096 451	21 084	19 250	157.51	160.85
United Nations peacekeeping operations	7 226 664	7 091 307	1 726 770	1 726 293	11 701	11 631	147.57	148.42
ITC	158 784	158 451	79 911	76 251	411	424	194.43	179.84
United Nations Capital Development Fund	100 780	116 211	28 898	26 988	169	177	170.99	152.47
UNDP	5 584 134	5 347 552	884 169	871 045	7 493	7 486	118.00	116.36
UNEP	696 642	651 319	212 186	207 823	1 365	1 330	155.45	156.26
UNFPA[a]	1 510 418	1 472 131	380 376	350 670	3 423	3 238	111.12	108.30
UN-Habitat	162 405	203 478	46 817	47 090	426	310	109.90	151.90
UNICEF	9 036 662	8 541 219	1 940 036	1 792 064	17 640	16 729	109.98	107.12
UNITAR	49 475	41 361	15 216	14 092	99	91	153.70	154.86
UNHCR	5 297 422	5 483 450	1 498 942	1 411 292	16 021	15 707	93.56	89.85
United Nations Joint Staff Pension Fund[b]	132 963	83 040	68 459	56 779	373	363	183.54	156.42
UNODC[a]	451 512	398 486	161 878	150 571	943	936	171.66	160.87
UNOPS	1 238 763	1 222 875	130 770	121 940	659	620	198.44	196.68
UNRWA	1 460 546	1 312 390	744 265	736 252	27 576	27 768	26.99	26.51
UNU[c]	81 440	146 107	20 106	19 607	151	142	133.15	138.08
UN-Women[a]	546 103	536 291	186 163	175 863	1 290	1 220	144.31	144.15
IRMCT	79 295	85 716	56 944	64 686	335	439	169.98	147.35

Source: Financial statements and information provided by the individual entities.

[a] Differences between the figures reported in the concise summary for 2022 and the same figures for 2022 in the present report are due to restatements made by management.

[b] Figures for total expenses represent administrative expenses only, owing to the differing nature of United Nations Joint Staff Pension Fund operations.

[c] UNU contractors hired under personnel service agreements were considered employees for the purposes of IPSAS reporting but were not counted as staff members according to the Staff Regulations and Rules of the United Nations. Therefore, staff costs do not include salaries for personnel service agreements.

H. Fraud and presumptive fraud

48. The United Nations is exposed to a wide range of fraud risks, both internal and external. Fraud and corruption may be opportunistic attempts by individuals that can add up to significant losses if not addressed. If the perpetrators escape with light or insignificant punishment, it can create a culture in which wrongdoers appear to act with impunity.

49. The Board acknowledges that there are differences in how each entity manages information regarding fraud and presumptive fraud. However, the Board has attempted to harmonize the information disclosed by the entities in the present report, on the understanding that it is helpful to compare main trends using data from previous years. Table 9 shows the cases of fraud or presumptive fraud reported annually by the entities from 2021 to 2023 and the number of cases pending for more than two years. Detailed explanations are included in the individual audit reports of the entities.

Table 9
Number of cases of fraud and presumptive fraud reported

Entity	*Number of cases of fraud and presumptive fraud*			*Number of cases pending for more than two years*
	2023	*2022*	*2021*	
United Nations (Vol. I)	118	108	92	28
United Nations peacekeeping operations	123	127	124	26
ITC	–	–	–	–
United Nations Capital Development Fund	1	1	1	–
UNDP	62	42	35	22
UNEP	22	3	7	–
UNFPA	42	41	49	26
UN-Habitat	–	–	–	–
UNICEF	216	193	152	9
UNITAR	–	–	–	–
UNHCR	28	35	66	–
United Nations Joint Staff Pension Fund	–	–	–	–
UNODC	51	11	30	1
UNOPS	124	99	56	–
UNRWA	31	34	47	28
UNU	–	–	–	–
UN-Women	10	5	16	–
IRMCT	–	1	–	–

Source: Information provided by the individual entities.

50. The Board noted that 12 of the 18 entities had reported cases of fraud or presumptive fraud in each of the past two years. Of those entities, four had seen a decrease in 2023 in cases of fraud and presumptive fraud compared with the previous year; the United Nations Capital Development Fund reported one case in 2022 and in 2023, whereas the remaining seven had seen an increase.

51. The total number of cases has increased over the past three years, rising from 675 in 2021 to 828 in 2023. Of those cases, 140 have remained pending for more than

two years and involve eight entities. Among the 140 cases, United Nations operations as reported in volume I and UNRWA account for 20 per cent each.

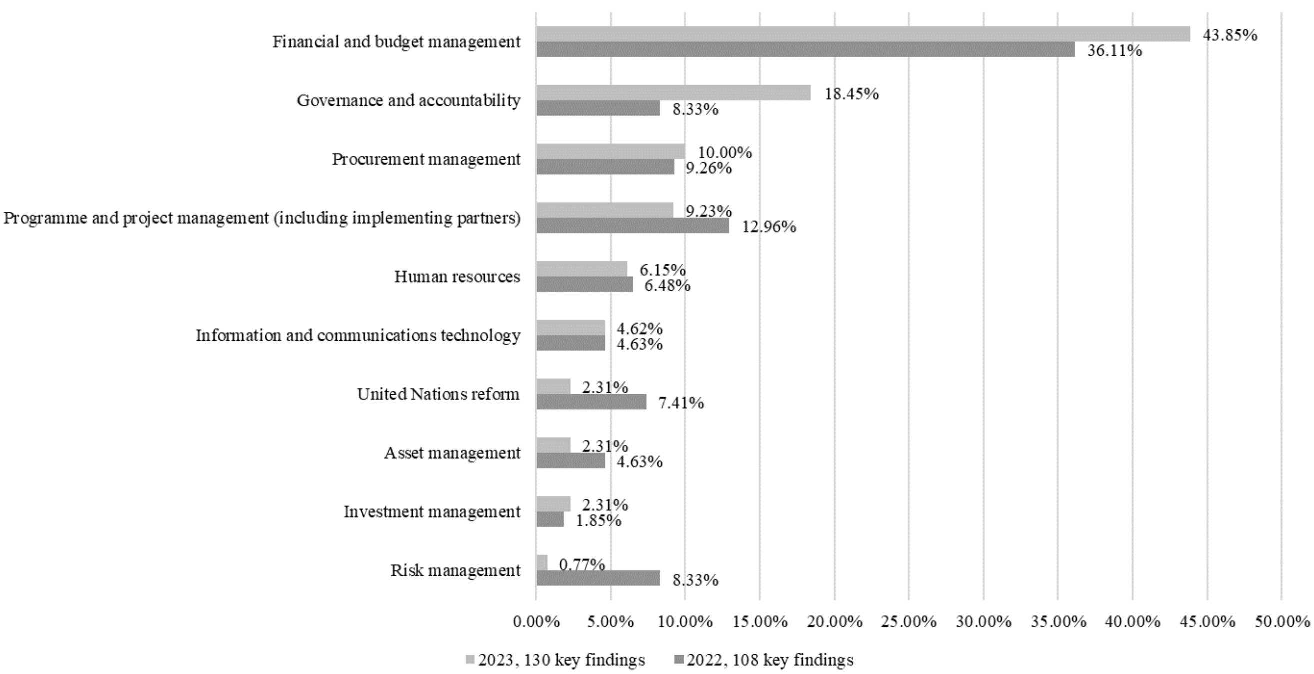
52. During 2023, UNODC reported 51 cases of fraud or presumptive fraud. However, of those 51 cases, only 17 pertained to cases reported or opened in 2023, while the remaining 34 dated to previous years. For UNOPS, the increase in the number of cases was due mainly to the strengthening of the reporting mechanisms.

III. Key findings and recommendations

53. The audit mandate of the Board is derived from article VII of the Financial Regulations and Rules of the United Nations. Pursuant to regulation 7.5, the Board may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Organization.

54. In that context, the present report highlights, by category, the key findings issued in the individual audit reports of the entities resulting from the audits conducted for the years ended 31 December 2023 and 31 December 2022. A breakdown of the categories is presented in figure III.

Figure III
Key findings, by category, 2022 and 2023



55. Financial and budget management, governance and accountability, and procurement management constituted 72.3 per cent of the total key findings in 2023.

56. Of the key findings identified by the Board in 2023, the number of findings relating to financial and budget management was 57 (43.85 per cent), compared with 39 (36.11 per cent) in the 2022 financial year, both of which accounted for the largest portion. In the 2022 financial year, the Board focused on financial and budget management mainly from the compliance perspective in response to the concerns raised by the Advisory Committee on Administrative and Budgetary Questions in its report on the financial reports and audited financial statements, and reports of the

Board for the period ended 31 December 2021 (A/77/574) relating to absence, inadequacy or non-compliance with regulations and rules in relation to financial and budget management that had weakened budget discipline and control. In the 2023 financial year, the Board continued to pay attention to this from a performance perspective. In that regard, the Board identified some key findings relating to possible loss or waste of resources, inactive funds and idle resources, inefficiencies in operations, and challenges in meeting the performance targets. In response to the concerns raised by the governing bodies and given the importance of financial and budget performance to the delivery of the mandates and the stewardship of the resources of the United Nations entities, a special chapter covering the financial and budget performance of the 18 entities for 2023 is included in the present report (see sect. V below).

57. The number of key findings relating to governance and accountability represented 18.45 per cent and 8.33 per cent of the key finding in 2023 and 2022, respectively. Some of the findings related to insufficient policy guidance and mechanisms, among others, in enforcing accountability, accountability not duly implemented and weaknesses in the functioning of some large programmatic activities' governance.

58. On the basis of the Board's analysis of key findings, the third-most observed and highlighted category was procurement management, which represented 10 and 9.26 per cent of the total key findings in 2023 and 2022, respectively. The insufficient evaluation and monitoring of vendor performance led to significant losses and the deliberate circumvention of procurement-related procedures to carry out procurement, among others, and constituted some of the major findings relating to procurement management identified for 2023.

59. The Board presents below its key findings and recommendations for each of the 18 United Nations entities covered in the present report resulting from the financial and performance audits for the year ended 31 December 2023, or for the 12-month period from 1 July 2022 to 30 June 2023 for the United Nations peacekeeping operations.

A. United Nations (Vol. I)

Accounts and financial reporting

Financial overview

60. Total revenue for the year 2023 amounted to $7.59 billion, up slightly from $7.35 billion in 2022, owing mainly to the increase of $0.15 billion in assessed contributions and $0.25 billion in investment revenue. With regard to expenses, the total amount was $7.92 billion in 2023, an increase of $0.21 billion (2.6 per cent) compared with $7.71 billion in 2022, owing mainly to an increase of $0.22 billion in employee salaries, allowances and benefits.

61. Net assets for the year 2023 decreased by $0.52 billion (11 per cent), from $4.71 billion as at 31 December 2022 to $4.19 billion as at 31 December 2023, owing mainly to the actuarial losses on employee benefits liabilities ($0.25 billion) and the deficit for the year ($0.33 billion).

Liquidity management

62. The overall financial situation for the year 2023 was relatively healthy. However, for the regular budget and related funds, the cash ratio stood at 0.19, 0.69 and 0.11 at year end for 2021, 2022 and 2023, respectively, indicating increasing liquidity challenges. Through a dynamic analysis of the cash flows (in and out) for fund 10UNA (a major part of the regular budget) in 2023, the Board noted significant

cash shortages in the middle of the year, owing mainly to the fact that assessed contributions were not paid in a timely manner. In 2023, the entire amount of the approved amount of the Working Capital Fund and the Special Account had been used to deal with the liquidity crisis in relation to the regular budget.

63. The Administration informed the Board that measures had been taken to address the issue of assessed contributions in arrears, including sending multiple reminders to Member States and launching outreach campaigns to raise Member States' awareness regarding the liquidity situation and the implications for programme delivery. These efforts have led to a large number of Member States paying in full; however, there were still large amounts outstanding at the end of 2023.

Accounting for and disclosure of foreign currency forward contracts and other financial instruments needs enhancement

64. The General Assembly approved the Secretariat's use of forward exchange rates in preparing budget estimates to hedge for currency risks. The Administration decided not to apply optional hedge accounting to foreign currency forward contracts intended to hedge against currency risks. However, to align the financial statements with the published programme budget performance reports, the realized gains of $16.3 million from the 2023 contracts were recorded against staff and non-staff costs, and the unrealized gains of $27.2 million from the 2024 contracts were classified as staff and non-staff costs, when they should have been recorded as investment revenue. Furthermore, $51.24 million in unrealized fair value gain on the revaluation of investments that were recognized directly in net assets during 2023 was presented as accumulated surplus, which should have been presented separately as reserves in accordance with IPSAS 1: Presentation of financial statements.

Cost-recovery services

$489.45 million in accumulated surplus and rebounding reserve ratio for cost-recovery services

65. As at 31 December 2023, the accumulated surplus of the cost-recovery fund (10RCR) totalled $489.45 million. Although the growth rate of the annual surplus slowed in 2022, it rebounded in 2023, with an annual surplus of $33.3 million, nearly half of which came from investment revenue. United Nations Headquarters had the largest portion of the accumulated surplus, ranging from 45 to 54 per cent from 2019 to 2023. The reserve ratio among entities varied significantly, from 0.43 to 46.56.

Lack of allocation mechanism for 10RCR investment revenue

66. The investment revenue of the 10RCR fund, totalling $34.37 million from 2019 to 2023, had been recorded under the Office of Programme Planning, Finance and Budget to support global management of cost recovery, provide technical support and training, and maintain a central reserve. However, the allocation and utilization of the 10RCR investment revenue lacked sufficient transparency in relation to various service providers.

Excessive charges for cost-recovery services

67. The Board noted several instances of excessive charges for cost-recovery services. For example, the United Nations Support Mission in Libya generated $5.24 million in 10RCR revenue from services absorbed by the regular budget without any associated expenses in recent years. In addition, the Department of Operational Support and the Office of Information and Communications Technology had excessive charges for office space rental and ICT services, with 10RCR accumulated surpluses of $33.09 million and $26.61 million, respectively, as at

31 December 2023. Furthermore, the 10RCR accumulated surplus of the United Nations Office at Nairobi had increased significantly from 2020 to 2023.

Budget management

Incomplete budget information on rental income in the proposed programme budget

68. In the current budget fascicle (A/79/6 (Sect. 1)), gross revenue and expenditure of spendable and non-spendable rental income were not disclosed separately, which may not provide sufficient information for the rental income estimates.

Lack of clear guidance on spendable revenue from rental of premises

69. There were no clear policies on either guiding the retention of spendable revenue or monitoring the use of spendable revenue. Significant amounts of the unencumbered balance of spendable rental revenue were identified, with no clear division on how regular budget resources and spendable revenue had been used for the maintenance requirements of rented areas.

Continuous overexpenditure on information and communications technology equipment for some special political missions

70. The Board sampled 13 large special political missions, including UNAMA, United Nations Assistance Mission for Iraq and 11 cluster III special political missions, and noted that the accumulative overexpenditure amount for ICT equipment was $17.92 million from 2021 to 2023. In 2021, 11 special political missions had overexpenditure of $4.99 million (or 4.17 times the approved budget). In 2022, 12 special political missions had overexpenditure of $8.86 million (or 3.72 times the approved budget). In 2023, seven special political missions had overexpenditure of $5.55 million (or 4.62 times the approved budget). In particular, six special political missions had consecutive overexpenditure, with a cumulative amount of $8.24 million over three years.

Cash and investment management

Selection of investment counterparties in need of further improvement

71. The United Nations Investment Management Guidelines, which establish criteria for recommended banks for time deposits and certificates of deposit, provide only the minimum credit rating requirements, while, in practice, the Administration also considers other criteria, such as competitive rates, which is not clearly stated in the policy.

Defined end-of-service liabilities

Policy and management of reserve for end-of-service liabilities funded by extrabudgetary resources in need of improvement

72. The current reserve management policies for managing end-of-service liabilities are fragmented. In addition, the accruals and adjustments policy for these reserves needs to be formalized to address the overfunding of $92.92 million for extrabudgetary-related repatriation benefits, while no funding existed for annual leave ($77.46 million) and there was underfunding of $726.87 million for after-service health insurance at the end of 2023.

Assets management

Inaccurate data in Umoja indicate improvement needed in equipment management

73. According to data in Umoja, from 2015 to 2023, 6,314 unused equipment items with an acquisition value of $10.46 million had been disposed of. In addition, at the end of March 2024, 11,786 items equipment, with an acquisition value of $30.6 million, had not been distributed for use for more than two years since their acquisition. Of these undistributed items, 2,557 items, amounting to $3.63 million, had already exceeded their service life. Furthermore, from 2018 to 2023, 2,711 pieces of equipment (with a total acquisition value of $17.72 million) had been disposed of, while those items had been used for less than 50 per cent of their service life. The Administration attributed this mainly to an incorrect equipment status in Umoja.

Improvements needed in computing device distribution ratio and idle rate management through monitoring equipment user status and data cleansing in Umoja

74. As at 31 December 2023, United Nations operations as reported in volume I had 47,707 computers and 20,104 staff (excluding non-employees), resulting in a computer-to-employee ratio of 2.37, with 15 per cent of computers remaining idle. Further analysis revealed that United Nations Headquarters had the highest computer-to-employee ratio, at 2.52 and with an idleness rate of 25.3 per cent. There were significant variances in the computer-to-employee ratio of different departments and offices within Headquarters, with the highest ratio reaching 9.15. The Administration stated that that was due to outdated equipment user status in Umoja, which inflated the idleness ratio.

Human resources management

Improvement needed in reporting on general temporary assistance positions at the D-1 level and above and positions funded by regular budget that are vacant for more than two years

75. The Board reviewed the 2023 proposed programme budget and its supplementary information and noted that: (a) 7 general temporary assistance positions at the D-1 level and above had not been fully reported; 119 positions funded by the regular budget that were vacant for more than two years had not been reported.

Shortcomings in the use of fixed-term appointment limited modality need to be addressed for alignment with new policy guidance

76. There was no policy guidance relating to the fixed-term appointment limited modality until 20 March 2024, which may have contributed to the following deficiencies: (a) there were 915 staff members in United Nations entities, as reported in volume I, holding fixed-term appointment limited contracts as at 31 December 2023, of which the fixed-term appointment limited contracts of 613 staff members had lasted for more than one year, with the longest being 8.5 years; (b) a sample review of the recruitment duration from advertisement to entry on duty at the Office for the Coordination of Humanitarian Affairs indicated that it had taken more than 120 days in 51 cases of the total sample 62, or 82.26 per cent, which did not meet the urgent operational need. The Office clarified that the time taken to onboard the candidate after selection was not within the control of the Office, given that it depended on various factors, such as visa, travel, medical clearance and the release date of the selected candidate; and (c) non-alignment with the standard recruitment procedures for the issuing of the job opening, the written test and the interview, among other things.

Insufficient progress made regarding geographical distribution

77. The Board noted the following deficiencies in relation to geographical distribution: (a) the number of underrepresented and unrepresented countries had not decreased in the past three years; (b) the number of geographical posts filled by nationals of some countries was significantly below the lower limit; (c) 95 geographical posts had been vacant for more than one year, with the longest vacancy being 47 months as at 31 December 2023; and (d) of a total of 148 geographical appointments in 2023, 53 (35.8 per cent) staff members were from unrepresented or underrepresented countries, which did not meet the goal of 50 per cent for three consecutive years.

Supply chain management

Difficulties in attracting sufficient vendors to ensure effective competition in the engineering, design and construction field

78. The engineering, design and construction procurement category accounted for 11 per cent of United Nations procurement. A well-designed strategy was approved in 2020 to increase the price-performance ratio of purchases in this sector. However, owing to a lack of personnel, the implementation of this strategy has not been monitored. One of the main challenges related to the low number of vendors that responded effectively to solicitations in this field. On average, there were fewer than three proposals per tender, and there was a downward trend in the period 2018–2023.

Implementation of the accountability system

Some elements of the accountability system need enhancement

79. The Board reviewed the sufficiency, efficiency and effectiveness of elements of component IV (internal control systems) of the accountability framework and noted the following areas in need of enhancement: (a) no tracking and implementation mechanism had been put in place to ensure that referrals by the United Nations Tribunals to the Secretary-General for possible action to ensure accountability were duly captured, implemented, tracked and reported; and (b) there was no mechanism to track the recoveries identified through OIOS recommendations.

Accountability may not have been duly implemented in relation to those cases causing significant financial losses or reputational risks to the Organization

80. The Board noted two cases involving some $11 million in financial losses to the Organization, in which an investigation had not been conducted and no accountability had been enforced. The two cases involved disputes over construction contracts between the United Nations and external providers. The Board also recalled other cases, discussed in its report on United Nations peacekeeping operations for the 12-month period from 1 July 2022 to 30 June 2023 (A/78/5 (Vol. II)). Additional costs had been incurred by the United Nations in those cases, but no investigation had been conducted and no one had been held accountable. A review of the above-mentioned cases indicates that there was a lack of clear guidelines for financial losses to the United Nations to be investigated.

Development reform

Insufficient geographical representation in the resident coordinator system

81. As at 31 March 2024, 38 (34 per cent) of the total 113 sitting resident coordinators were from the top seven countries with the most resident coordinators, 55 (33 per cent) of 168 resident coordinator pool members were from the top seven

countries with the highest number of resident coordinator pool members and 67 (47 per cent) of 143 resident coordinator/humanitarian coordinator talent pipeline members were concentrated in nine countries.

Delays in implementing the revised efficiency gains road map

82. As at 31 December 2023, the implementation of the efficiency gains road map for the period 2022–2024 had been delayed. No common back office was fully implemented in 2023 against a target of 20 common back offices approved/implemented in 2023, only 5 and 8 of the targeted 66 common premises had been completed in 2022 and 2023, respectively, and the global shared service priority list was refined to include 11 services, a significant reduction from the initially anticipated 42 global shared services, while no substantial progress had been made. The target of scaling up the business operation strategy in a complex high-risk/crisis context was postponed from 2023 to 2024 owing to insufficient funding.

Operations relating to peace and security affairs

Improvement needed in donor reporting reviews

83. The Department of Political and Peacebuilding Affairs received voluntary contributions in 2023 from organization E to support activities of the Standby Team of Senior Mediation Advisers and shared a quarterly update with detailed information on recent deployments of the Standby Team, including locations, subjects addressed and key elements arising from each deployment, some of which was not included in the public reports on the multi-year appeal. In this regard, a standard and consistent approach needs to be put in place and followed fully in reporting Standby Team activities to donors.

Challenges in management of the Joint United Nations Development Programme-Department of Political and Peacebuilding Affairs Joint Programme on Building National Capacities for Conflict Prevention

84. In the tripartite agreement between resident coordinators, UNDP and the Department of Political and Peacebuilding Affairs, the roles and responsibilities of each participant were not specifically outlined. Coordination and cooperation in some countries were insufficient. Reports of the peace and development advisers were sometimes delayed or incomplete in submission.

Humanitarian affairs

Incomplete documentation of pre-positioned funds amounting to at least $7.83 million

85. On a sample basis, the Board reviewed five pre-positioned funding projects implemented by two partners under one selected country-based pooled fund and noted that the two partners had neither managed project funds in separate bank accounts nor showed that they had used a code-based accounting system to account for the projects' transactions and cash balances separately, as required. As at 31 March 2024, the disbursements for the five projects amounted to $14 million, and payments totalled $3.27 million. However, the cash balances stood at only $2.90 million. Therefore, there was no payment evidence of at least $7.83 million, which should be subject to further verification through the project audit.

Information and communications technology

Possible losses or waste in relation to information and communications technology contract management and Microsoft 365 account management, among others

86. The Board identified the following instances of possible losses or waste of resources: (a) some $3 million in uncollected volume discounts under ICT contracts; (b) delay in implementation of the new CarLog systems of $1.9 million in purchase order value; (c) the current utilization rate of public cloud resources remained low, and a significant increase would result in savings of $1.22 million in accordance with the cost-savings recommendations provided by public cloud vendors; and (d) owing to weakness identified in relation to Microsoft 365 account management, 1,840 licences were unused and 950 accounts had been inactive for more than 90 days, which should have led to their being decommissioned.

87. The Board has made recommendations throughout the report. The main recommendations are that the Administration:

(a) Reclassify the hedging gains and losses to be shown separately in the statement of financial performance to enhance the disclosure of the hedging programme, and present the fair value gain/loss on revaluation of investments as reserves in net assets;

(b) Continue to monitor the relevant reserve levels, ensure that the overall 10RCR fund balance is maintained at an appropriate level in accordance with the relevant policies and guidelines, and utilize the fund more efficiently and effectively;

(c) Update the policy guidance to disclose to the various business owners how the investment revenue of the 10RCR fund will be used;

(d) Comply with relevant cost-recovery guidelines to charge for only necessary and reasonable costs in the future;

(e) Improve the presentation of budget resources under income section 2 to ensure more transparency of budget information with regards to spendable revenue and expenditure;

(f) Develop a clear policy guide on spendable rental income and specify the purpose, standards and methodology for calculation of the retention of spendable revenue, as well as its usage, scope and oversight;

(g) Update the budget guide to request respective special political missions to conduct a comprehensive analysis of their own communications and information technology equipment demand plan and to align the plan with the budget proposal and implementation in the future;

(h) Formalize the criteria for selecting investment counterparties, in addition to the existing criteria, to enhance transparency and ensure that the decision-making process is well documented;

(i) Conduct a comprehensive review of the current policy and management of reserve for end-of-service liability under extrabudgetary resources, including reserve accrual and adjustment methods, to ensure that funding is maintained at a reasonable level;

(j) Conduct comprehensive reviews of equipment records to ensure the accuracy of data in Umoja and also take proactive measures to avoid the potential waste of assets;

(k) Improve the monitoring of equipment status and the clean-up of data in Umoja to ensure the effectiveness and efficiency of computing devices management;

(l) Remind concerned entities to report long-vacant positions funded by the regular budget in the budget documentation, as required in the budget guide;

(m) Remind entities to review their current practices of using the fixed-term appointment limited modality and reiterate to all entities the need to abide by the recent policy guideline issued on the fixed-term appointment limited modality;

(n) Ensure a timely recruitment process for the geographical posts and ensure that appointments from unrepresented and underrepresented countries are in line with relevant targets;

(o) Develop a strategy to increase the number of potential vendors in the engineering, design and construction category that are interested in working with the United Nations;

(p) Ensure that there is a guideline indicating clearly who should take responsibility to follow up, track and report on the referred cases, which should contain guidance on actions to be taken in a timely manner on those cases referred by the United Nations Dispute Tribunal/the United Nations Appeals Tribunal for possible action to ensure accountability;

(q) Subject to the legal framework, better track recoveries that were identified in OIOS recommendations;

(r) Review its existing processes under the current legal framework, in cases where the Organization has suffered a financial loss due to possible gross negligence, to enforce accountability where appropriate;

(s) Address the high concentration of geographical representation in the resident coordinator/humanitarian coordinator talent pipeline by attracting and nurturing more personnel from programme countries;

(t) Engage with the United Nations Sustainable Development Group governance to draw attention to and address the gaps in the implementation of the efficiency gains road map in a timely manner;

(u) Ensure that a standard and consistent approach is followed in reporting Standby Team of Senior Mediation Advisers activities to donors and ensure that there is equal access by all Member States to non-confidential information on Standby Team activities in a publicly accessible format;

(v) Review the tripartite agreement and ensure that it clearly identifies the responsibilities of the peace and development advisers, as well of the managers of the agreement, and that the advisers' reports are submitted in a timely, consistent manner, following a standardized report template;

(w) Enhance oversight of the management of funds, especially regarding the use of a separate interest-bearing bank account, where available, accounting separately for the project expenditure, and inform the third-party auditors of the funds of $7.83 million and take follow-up actions;

(x) Ensure that the Office of Information and Communications Technology, in coordination with the Procurement Division and end-user entities, follows up with the contractors to ensure that the discounts due for ICT contracts are collected in full and in a timely manner;

(y) Ensure the Office of Information and Communications Technology, together with respective entities, updates the cloud strategy in a timely manner to align it with the latest ICT landscape and business requirements, enhance public cloud resource utilization and implements cost-saving measures, as appropriate; and

(z) Ensure that the Office of Information and Communications Technology strengthens its monitoring and reminder mechanisms to guide entities in Microsoft 365 accounts management and reduce any financial losses.

B. International Trade Centre

Non-compliance with restrictions for low-value acquisitions

88. ITC had inappropriately made low-value purchases totalling $981,299 for property leasing, information technology equipment, software and furniture through low-value acquisitions from 2021 to 2023. Specifically, $202,811 of purchases were made in 2023.

Requirements split into multiple low-value acquisitions

89. A total of $103,836 worth of requirements were split into 14 low-value acquisition orders within the same time frame to the same vendor for the same type of service.

Deficiencies in duration of consultants and individual contractors contracts

90. ITC used UNOPS and UNDP in cases in which the limit of 24 months in a 36-month period was reached. Some consultants initially started with a consultants and individual contractors contract and were subsequently hired under UNOPS or UNDP after the 24-month limit. From 2021 to 2023, the total annual management fees paid to UNDP and UNOPS were $1.06 million, resulting in additional administrative costs.

91. The Board has made the following key recommendations, namely, that ITC:

(a) Adhere to the administrative instruction on low-value acquisitions and ensure the correct coding of items;

(b) Strengthen the review of low-value acquisitions and ensure that, if the estimated purchase amount is above $10,000, the requirement shall be submitted for procurement action to the procurement services rather than split into multiple orders;

(c) Review the policy on consultants and individual contractors to align with the requirement of project management and to avoid unnecessary administrative costs.

C. United Nations Capital Development Fund

Finance

Grants and exchange transactions clarification

92. The United Nations Capital Development Fund mandate, as defined by the General Assembly, is to assist the least developed countries in the development of their economies by supplementing existing sources of capital assistance by means of grants and loans. Grants, especially “performance-based grants”, are the largest category of United Nations Capital Development Fund expenses, amounting to $30.2 million in 2023 and representing 30.0 percent of total expenses in 2023. The widespread use of grants has led to some divergence from their original purpose, in particular for transactions that are, in substance, exchange transactions and that should follow different accounting rules under the present IPSAS.

Control of financial reporting on payroll transactions

93. UNDP global payroll services are responsible for centrally providing monthly payroll and related services to personnel of the United Nations Capital Development Fund as part of the common shared services provided to partner agencies. Those services amounted to $44.6 million in 2023. The Board identified difficulties in the financial reporting of those payroll transactions. Continuous efforts from the' United Nations Capital Development Fund should be maintained.

Management of budget processes

Budget framework, planning and formulation

94. Budget processes at the United Nations Capital Development Fund follow the UNDP Financial Regulations and Rules, with an annex dedicated to specifics of the United Nations Capital Development Fund that are not addressed in the main text. The budget architecture relies on intricate aggregates and is not fully in line with the regulatory framework. The "institutional budget" appropriation amounted to $16.2 million in 2023.

95. Budget planning is still very informal. It presents the advantage of flexibility and simplicity but does not allow for the annual institutional budget to be properly linked with the multi-year strategic framework.

96. In view of the preparation of its strategic framework for the period 2026–2029, the United Nations Capital Development Fund plans to present a more comprehensive "integrated budget" to its Executive Board.

Resource mobilization

97. The United Nations Capital Development Fund is entirely financed by voluntary resources, both for programmes and headquarters expenses. Resource mobilization is therefore imperative to ensure the implementation of the organization's mandate.

98. The United Nations Capital Development Fund has already identified the main gaps in fundraising, as well as the objectives that should be prioritized for resource mobilization.

99. Fundraising needs to be in line with the budgetary needs in the United Nations Capital Development Fund's next strategic framework. The successful implementation of an ambitious mandate would require a strong relationship with major public and private sector donors, including through multi-year strategic agreements.

Accountability for budget management and reporting on performance

100. The only existing reporting on budget execution is provided in financial statement V. This reporting, however, provides minimal information, which is insufficient to support oversight of budget management.

101. Tracking and steering performance relies on a limited tool, which includes mainly activity indicators. Most of the time, the targets are considered achieved, and this framework is barely used for managerial purposes.

102. Performance management needs to be enhanced, in order to be used in budget planning and to increase accountability. The United Nations Capital Development Fund could take advantage of the monitoring tools provided by the new Quantum Plus environment.

103. The Board has made key recommendations, namely, that the United Nations Capital Development Fund:

(a) Clarify the criteria to distinguish between grants and exchange transactions in cases where the recipient of the financial transaction is not the end beneficiary of the operation;

(b) Continue and refine the reconciliation of payroll transactions to the financial statements;

(c) Clearly define the scope of its institutional budget, detailing the provisional revenue, expenditure and staffing positions, and formally submit it to the Executive Board for approval, as required by the financial regulations and rules;

(d) Adopt, at the Executive Secretary level, a budget planning process defining responsibilities and expected outputs, and set up proper communication and training for staff to ensure its successful implementation;

(e) Build up an informative integrated budget, including provisional revenue and expenditure for both institutional and programmatic components, and present regular updates to the Executive Board;

(f) Formally adopt, at the Executive Secretary level, a fundraising strategy and regularly update it to ensure the appropriate level, predictability and quality of resources necessary to sustain its business model and strategic objectives;

(g) Increase the operational usefulness of its integrated reporting and results matrix by updating indicators more frequently and, where appropriate, reviewing the targets.

D. United Nations Development Programme

Finance

Timely recognition of revenue

104. Delays in revenue recognition of voluntary contributions, due to the late submission of project agreements by the country offices to the Global Shared Service Centre for the timely recognition of the related revenue, increasingly raise cut-off issues with significant financial impact that can become material and are identified increasingly later.

Revenue reductions

105. The UNDP “programme and operations policies and procedures” describe the process to be followed in the event of revenue reduction, except when the related receivables have not been billed yet. Although no significant error was identified by the Board on this matter, the applicable process and controls should be formalized.

Reporting of payroll transactions

106. The UNDP Global Shared Services Centre is responsible for centrally providing monthly payroll and related services to personnel of UNDP and United Nations partner agencies in more than 180 locations. In 2023, those services amounted to a total of $2,027 million worth of transactions from which $1,376 million was charged to UNDP and $651 million to other United Nations agencies. Following the implementation of the new enterprise resource planning system, Quantum, the Board identified challenges in the financial reporting. These challenges stem, in part, from the reconciliation of payroll transactions to the general ledger. Anomalies were identified and reduced to an insignificant level through the implementation of an additional control which should be continued and further refined in future years.

Misclassification of operational reserves

107. A decision of the Executive Board from February 1999 requires UNDP to establish a reserve for its other resources activities. One of the components of this reserve is to be valued on the basis of the yearly administrative costs, which were originally estimated at $30 million. The Board assessed that if this amount is not updated according to the definition, the components of net assets could be misclassified. An estimate based on UNDP 2023 administrative costs evidenced that the misclassification may range from an overestimation of the operational reserve of $7 million to an underestimation of $42 million. Questions that arise from such a decrease or increase in reserves allocation based on a calculation method established in 1999 justify that UNDP review and update its internal rules concerning its reserves.

Weaknesses in user rights and change management processes in the new enterprise resource planning system

108. The Board reviewed the user rights control process and the segregation of duties matrix in the new enterprise resource planning system, Quantum, and identified weaknesses that should be addressed. in order to mitigate the risk of error or fraud.

Management of budget processes

Budget planning, formulation and appropriation

109. The regulatory framework of budget processes at UNDP is solid but complex. The objective of harmonization with other entities on which the Executive Board exerts its oversight is commendable, but should not lead to a stagnation of the system.

110. A strategic plan is approved every four years by the Executive Board. This plan is supported by an “integrated resource plan”, which includes the financing of programmatic and institutional activities. The “integrated budget” covers the part of the integrated resource plan financed by unearmarked resources (“core resources”). The “institutional budget” covers institutional activities financed both by core resources and resources generated by programmatic activities (through a “general management support” indirect cost recovery and a “government contribution to local office costs”), as well as cost recovery linked to services provided to other United Nations entities on a full cost-recovery, fee-for-service basis. The integrated budget is the only one approved by the Executive Board for the four-year period of the strategic plan. However, the interaction between the integrated and institutional budgets is more complex than it may appear.

111. The four-year integrated resources plan presents several weaknesses. The border between programmatic and non-programmatic activities is blurred; more broadly, the classification used is not fully clear. The annual budget, also called the “institutional budget”, is the annual breakdown of the four-year institutional budget and falls under the authority of the Administrator. Currently, however, the budget documents do not enable the consistency of the annual budget with the four-year budget to be checked easily. This dual system needs to be more coherent and become more readable.

Resource trends and mobilization

112. The analysis of recent budgetary trends evidences a decline in unearmarked contributions over the years. However, this trend is not adequately reflected in the budget documents, showing a difficulty in providing budget forecasts over a period of four years and an increasing discrepancy between estimated and actual amounts.

113. The recovery of indirect costs on programmes, enhancements to full cost recovery for services provided to other United Nations agencies, as well as interest

income, and efficiency and cost effectiveness improvements have so far contributed to mitigating the tension on core resources to institutional expenses. Reserves were also used to avoid a drop in programmatic activities funded by core resources, consistent with decisions of the Executive Board. However, if these trends continue, the identity of UNDP as a development institution may be at risk. UNDP has started to analyse the causes of the structural decline in core resources and presented a series of recommendations to its Executive Board.

Budget implementation.

114. The institutional budget is approved and allocated in the financial system delineating for core and earmarked resources. Once the institutional budget is allocated to business units at headquarters and in the field, budget execution instructions are issued. However, under the authorized ceiling and the requirement that non-staff costs cannot be repurposed to staff costs, practices may vary across services and regions, both in terms of flexibility (fungibility between various budget lines) and monitoring on fiscal discipline (level and calendar of appropriation release). However, proposed changes in institutional budget allocations in the financial system are centrally reviewed by the Bureau for Management Services to ensure compliance with the policy.

115. The proportion of staff expenditure in the institutional budget is increasing, which could result in the risk of a higher rigidity.

116. The ability of UNDP to allocate a fraction of its core resources to programmatic activities is essential for delivering on its development priorities. The core programme allocation model currently used, at the regional and country levels, which is based on Executive Board decisions, appears complex and can lead to suboptimal allocations in terms of development impact.

117. UNDP changed its institutional budget allocation model to business units in 2022, shifting from a revenue generation model to a cost-based model, in order to ensure better visibility of the Organization's overall operating costs, with a focus on the institutional budget's major cost driver – namely, staffing costs – and to set an annual operating year budget that contributes to the long-term sustainability of UNDP operations. The new approach supports the prioritization of investments at the country, regional and corporate levels in support of the strategic plan and corporate priorities, which is fundamental to the concept of "performance budgeting" and a leading practice for budgeting for public sector entities. The impacts of this change, in particular the risk of disincentivizing the delivery of development results at the country level, have not been sufficiently analysed.

118. Increasingly, budget execution is governed by the need to closely monitor and fine-tune the allocation of limited resources to cover the actual institutional needs. UNDP has developed circumstantial tools to this effect, which sometimes lack consistency

Accountability for budget management and reporting on performance

119. While UNDP is making significant efforts to measure performance across the organization, it is not clearly communicated in the annual budget formulation guidance how the data are used to inform the budget process.

120. Reporting to the Executive Board on financial matters is critical and governed by the UNDP Financial Regulations and Rules. However, this communication is based on financial data that should be improved in terms of readability and comparability.

Universal field presence of the United Nations Development Programme

A major asset that needs to be further enhanced

121. UNDP maintains a presence in 170 countries and territories in a variety of formats, including country offices, sub-offices, project offices and representation offices. UNDP has the largest field presence among United Nations agencies in terms of number of offices and is the second largest field network in terms of the volume of staff after WFP. This field presence is a significant asset for UNDP: the Programme works in close collaboration with host Governments, other United Nations entities and various stakeholders, both in terms of “front office”, to implement programmes and projects, and “back office”, to provide shared services within the United Nations development system.

122. The UNDP field footprint has not changed much over time. It is based on the UNDP mandate and long-standing legal agreements. A more strategic approach to scaling up, reducing, opening or closing offices would help to ensure that the structure of the UNDP field presence continues to adapt to local development priorities. UNDP has made some changes to its network of offices by setting up regional bureaux and hubs, multi-country offices and different forms of sub-national presence.

123. The UNDP field presence is not sufficiently valued. Communication on local priorities and results, through websites, social networks and events, is weak, with mixed results towards key donors and beneficiaries.

Improving the functioning of country offices and strengthening regional bureaux

124. Mechanisms and tools are in place to monitor the performance of country offices, and results are monitored by the UNDP internal auditor. Nevertheless, the link between the performance trajectory of each country office and the implementation of the country programme document is not sufficiently made at the corporate level, although work on this is underway. Procedures on the functioning of the country offices have been defined by headquarters, but are not always well adapted to local situations.

125. Responsibilities of regional bureaux and country offices are clearly defined by the 2018 UNDP accountability framework. The five regional bureaux, and the corresponding regional hubs, where appropriate, carry out their oversight role, including by monitoring country offices and assessing the resident representatives. They also support country offices by providing a range of services. Although the UNDP decentralized model requires a level of heterogeneity in how regional bureaux function, several improvements for more coherence between the bureaux have been identified, notably through the internal audit.

126. Regional bureaux are responsible for monitoring the costs of the country offices and managing their financial situation. Headquarters has also recently set up an initiative to better identify and monitor high-risk projects. These steering and reporting mechanisms and initiatives should be strengthened to ensure the financial sustainability of the UNDP field presence

Management of programmes and projects related to Sustainable Development Goal 13 (climate action)

Tracking and measurement of the Programme’s substantial support for climate action

127. UNDP is a major global stakeholder in the drive towards climate change mitigation and adaptation. UNDP is recognized as an important actor on the ground, and its presence in climate work is significant. However, on paper, this support is sometimes difficult to pin down, whether in the various layers of its strategic

documents, at the portfolio level or at the country level. The alignment on climate action between corporate and country-based strategies as well as priorities set in the projects is not always clear. The results matrix supporting the corporate strategic plan could better monitor the specific engagements in climate change, and the Sustainable Development Goal tagging at the project level could be improved.

128. Measuring results on development is always difficult and this is, in particular, the case for climate-related actions, which are cross-cutting. To do so, UNDP is relying on results matrices at the various levels, from global to project. However, these matrices and indicators sometimes lack clear definition and harmonization, limiting the potential of aggregation or consolidation. More could also be done on data quality, which remains insufficient in some areas, despite or perhaps because of the transition from Atlas to Quantum. Lastly, results measurement in the UNDP climate portfolio would benefit from considering the carbon footprint of the design and implementation of the projects themselves.

Financing structure of climate-related programmes and projects

129. Broadly half of environment and climate-related programmes and projects are funded by vertical funds, where the Global Environment Facility and the Green Climate Fund remain the main players. This financing structure of UNDP limits funding for activities not directly related to the projects themselves, hampering its capacity to be more strategic and responsive to the needs of developing countries. Indeed, the rules governing these funds can be a constraint when other financing sources are not available.

130. UNDP reviewed, in 2022/23, its internal structure on climate- and environment-related issues in order to respond to the growing complexity and challenges of its portfolio and to adjust to the exponential increase of climate-related projects for the past 10 years, as well as to the diversification of its funding sources. UNDP shifted from a pyramidal organization to a flatter system, based around a series of thematic “hubs”. While the objectives of the reform are laudable, they bear risks, including in terms of coordination costs and the recreation of silos, that need to be carefully assessed and mitigated.

The objective of greening the entire portfolio of the United Nations Development Programme

131. UNDP aims at tracking, measuring and reducing its carbon footprint through its “Greening Moonshot” initiative. This initiative is receiving top billing from management, including at the country level, and is yielding promising results. However, its scope should be less restrictive to increase impact, notably to cover indirect activities. The generation of data for monitoring its results should be mainstreamed and better controlled.

132. UNDP social and environmental standards are a key way to ensure that particular environmental and climate considerations are included in every project, beyond the climate-related ones, and that potential risks in this area are appropriately mitigated. A review of the implementation of these standards at the country, programme and project levels shows an increased commitment of UNDP management to make them work. However, there is still room for improvement, notably in the information system supporting data on the social and environmental standards and in systematic outreach to beneficiaries and local communities to increase the impact of the policy.

133. The Board has made 30 new recommendations on the basis of its audit. Details on how they can be implemented are provided throughout the present report, notably in paragraphs immediately following the formulation of each recommendation. The main recommendations are that UNDP:

(a) Further refine the periodic reconciliation of payroll transactions to the financial statements;

(b) Review and update its internal rules concerning its operational reserves;

(c) Enhance for the information of its Executive Board within its regular reporting cycle, the explanation of the differences between the projections of the contributions and expenditures and the actual contributions and expenditures of the relevant years, along with an indicative projection for the remaining years;

(d) Present, as part of its strategic plan for the period 2026–2029 and the related funding dialogue, based on a benchmark of other development institutions' fundraising practices, operational proposals to move to a more integrated approach to fundraising, including adequate investment in fundraising capabilities to match the ambition;

(e) Present to the Executive Board a simplification plan of core funding of programmatic activities, including alternate scenarios for determining formula-based allocations while assessing the potential development impact of each of these scenarios;

(f) Improve the readability and comparability of financial reporting to the Executive Board;

(g) Define a strategy to improve the management of its field presence, including by: (i) reviewing the model of resource allocation to offices in net contributing and middle-income countries; (ii) enhancing the cross-cutting functions of regional bureaux and hubs and multi-country offices; (iii) making the most of its subnational field presence; and (iv) ensuring that communication on local achievements becomes a priority;

(h) Set out an in-depth reflection on climate for its next strategic plan and improve the follow-up, tagging and reporting on its achievements, including by: (i) providing specific guidance on what climate action in projects encompasses; (ii) strengthening data quality through a mismatch correction system, notably through keyword analysis; and (iii) enforcing the use of a "climate marker";

(i) Consider the carbon footprint in the design and implementation of projects and include this information in the evaluation guidelines;

(j) Strengthen its efforts in its sustainability strategy by: (i) moving towards the expansion of the internal initiative to indirect carbon emissions; and (ii) ensuring that data collection is mainstreamed and its quality is better controlled.

E. United Nations Environment Programme

Need for enhanced management of long-outstanding commitments

134. As at 31 December 2023, the total commitments of UNEP amounted to approximately $1,150.9 million. They included long-outstanding commitments involving implementing partners from the period from 2014 to 2022 accounting for approximately $670.6 million, which had remained overdue for durations ranging from one to nine years. The long-outstanding commitments would impede the effective execution of programme activities for which grants have been allocated and the implementation of projects.

Insufficient implementation of some resolutions adopted at the fifth session of the United Nations Environment Assembly

135. The United Nations Environment Assembly of the United Nations Environment Programme, as the highest-level decision-making body for matters related to the

environment, sets the strategic guidance on the future direction of UNEP. At its resumed fifth session, held in 2022, the Assembly adopted 14 resolutions. The Board noted that the implementation plans for four of those resolutions lacked timeliness and integration, and identified insufficient management of resolution-linking projects.

Limited attention to and priority for the implementation of the Sendai Framework

136. The General Assembly, in its resolution 77/289 called upon relevant entities of the United Nations system, within their respective mandates, to enhance support for the implementation of the Sendai Framework for Disaster Risk Reduction 2015–2030. With regard to UNEP, its medium-term strategy for the period 2022–2025 states that special attention will be paid to the Sendai Framework. The Board noted that, of 718 ongoing projects of all types at the end of December 2023, only 2 projects were related to the implementation and delivery of the Sendai Framework. Furthermore, neither of those two projects nor the existing subprogrammes in the UNEP medium-term strategy made an overall contribution to the Framework.

Funds retained at the project level

137. Owing to inefficient project implementation and management, the Board noted that, as at 31 December 2023, 79 projects had been expired for between two and five years, relating to retained funds of $32.74 million, and 7 projects had been expired for more than five years, relating to $0.59 million. In addition, 140 projects had been operationally closed but were still pending financial closure, relating to retained funds of $35.82 million.

Inadequate oversight of collaborating centres

138. Partnerships are encouraged by UNEP to collaborate on the delivery of projects and in the mobilization of resources, among other things. One specific case of partnerships are collaborating centres. The Board reviewed the operation of collaborating centres and identified: (a) unclear quantity; (b) the lack of a legal repository for legal instruments; (c) ambiguous legal relationships; (d) inadequate regular reviews; and (e) the undertaking of projects in the name of UNEP, which called for enhanced supervision and management of collaborating centres.

139. In the light of the findings mentioned above, the main recommendations of the Board are that UNEP:

(a) Undertake an investigation to clarify the procedures for managing open long-outstanding commitments and enhance the review of open commitments within the year-end closing processes;

(b) Review the implementation plans for United Nations Environment Assembly resolutions 5/4, 5/5, 5/7 and 5/8 to include implementation timelines, data accuracy and clear internal accountability, and that resolution focal points upload them in the United Nations Environment Assembly Monitoring and Reporting Portal;

(c) Conduct an in-house inventory of all Sendai Framework-related projects and activities across the UNEP programme of work;

(d) Reduce by 30 per cent the percentage of projects that have expired and are pending operational closure for more than two years by April 2025;

(e) Reduce the percentage of projects pending financial closure for more than two years;

(f) Formulate a framework to regulate its engagement with collaborating centres, including their establishment, management and operational issues.

F. United Nations Population Fund

Ineffective establishment of the Humanitarian Response Division

140. The Board noted that the establishment of the Humanitarian Response Division had been ineffective, given that neither the new Division's operations centre nor the global emergency response team had been implemented. The ineffectiveness in establishing the operations centre was attributable to the lack of a clear description of the Division, which is still under revision. With regard to the global emergency response team, the primary reason for its non-establishment was the existence of vacancies for key positions necessary for its operation, leading to an unexpended budget and the failure of the Division to achieve its objectives.

Insufficient guidance in emergency preparedness response risk ranking

141. The Board noted that the required framework to determine risk ratings of UNFPA country offices had not been developed, and therefore the subsequent minimum preparedness actions arising from risks were also missing. On the basis of this description, it was then noted that the strategic information system did not include the advanced preparedness actions, which are triggered by the risk level.

Absence of integrated accountability checklist and financial data quality dashboard

142. The Board observed that the UNFPA enterprise resource planning system, Quantum, lacked the integrated accountability checklist and the financial data quality dashboard. These are internal controls required by the organization's policy framework to monitor potential financial inaccuracies. In addition, it was noted that the financial management community continued to use outdated resources, including policies, reports and resource management linked to the previous enterprise resource planning system, Atlas. This resulted in regional offices being unable to assess financial data and evaluate the financial performance of country offices owing to a lack of system alerts. Moreover, it was observed that UNFPA regional offices had to rely on manual controls because Quantum did not provide automated and aggregated performance indicators.

Inaccuracies in the management of programme supplies

143. The review of inventory movements recorded in the UNFPA shipment tracker denoted inaccuracies in the recording of purchases of programme supplies, owing to the outdated field office inventory management system not effectively capturing all types of programme supplies. Furthermore, the inventory movements records contravened the programme's supplies regulations, such as local procurements that did not have previous authorization and disposals that did not go through a quality assurance authorization. In addition, the type of procured goods could not be mapped or categorized, given that they were registered manually with no standardized format.

Inaccuracies in the recognition of contribution revenue

144. UNFPA restated its financial statements to account for the pending recognition of contribution agreements signed in 2022. The analysis of this restatement revealed the untimely registration of these contributions, owing primarily to weaknesses in the reconciliation process between the UNFPA Finance Branch and the Resource Mobilization Branch. In addition, some contributions from before 2022 were not posted because of the unlikely inflow of resources. Although the revenue recognition policy was issued and shared within UNFPA, no analysis process was shared with the Resource Mobilization Branch to support the criteria for asset recognition in those cases. It is also worth noting that, following the migration to Quantum and the

subsequent upgrade to Quantum Plus, the divisions responsible for managing contribution revenue have been unable to oversee all agreements from the negotiation process to revenue posting, given that features from previous systems have not been incorporated into Quantum.

145. On the basis of the audit findings, the Board recommends that UNFPA:

(a) Assess and update the terms of reference of its Humanitarian Response Division and establish a clear plan with an activities implementation schedule and accountabilities;

(b) Take the actions needed to fill the vacant posts in the Humanitarian Response Division;

(c) Issue guidance on risk ranking and subsequent actions depending on the level of risk, in line with the Inter-Agency Standing Committee, with the aim of ensuring that risk assessment ranking, duly advanced preparedness actions and contingency planning are conducted;

(d) Assess its internal control activities and apply the necessary adjustments, considering the use of Quantum;

(e) Update the resource management policy and related guidelines to reflect the Quantum procedures and controls;

(f) Implement a tool similar to the financial data quality dashboard to assist in the monitoring of field offices;

(g) Align its financial management community with Quantum resources;

(h) Establish a monitoring mechanism for the risks included in the policy related to the management of programme supplies;

(i) Implement automatic controls in Quantum to prevent country offices from procuring pharmaceuticals and medical devices without authorization and restrict the purchase of contraceptives at this level;

(j) Categorize the products in Quantum according to the type of programme supplies to enable monitoring by the Supply Chain Management Unit;

(k) Develop a control mechanism for the signed and posted agreements to prevent delays in the recording of revenue;

(l) Implement a mechanism to enable the oversight and traceability of the agreements from the negotiation process to the revenue posting in Quantum, by codifying the negotiation processes and developing dashboards;

(m) Issue a new version of the terms of reference of the Resource Mobilization Branch to reflect its current accountabilities, systems used, functions and interactions with the Finance Branch.

G. United Nations Human Settlements Programme

Unauthorized transfer and use of cash balances from earmarked voluntary contributions without donor consent

146. A total of $40.5 million in cash balances of the earmarked voluntary contributions had been transferred and invested to 24 unearmarked grants under the earmarked funds as at 31 December 2023. On the basis of a sample taken, $3.68 million from those unearmarked grants had been incurred without obtaining the consent of donors, of which 77 per cent was not recoverable, changing the specified purpose outlined in the

donor agreements. In addition, the use of cash balances was not disclosed adequately in the financial reports submitted to donors at the end of the projects.

Inadequate allocation of evaluation budget, affecting the implementation of evaluations

147. According to the evaluation policy, the total evaluation budget of the 144 approved or completed projects for the years 2021, 2022 and 2023 was assessed to be $8.62 million. However, the actual evaluation budget was $3.28 million, indicating a shortage of $5.34 million. Owing to the lack of adequate resources for evaluation, 33 of the 34 sampled projects were missing evaluation reports, resulting in inadequate evaluation coverage.

Deficiency in the three-fold implementation framework of the New Urban Agenda

148. The New Urban Agenda serves as a primary guiding framework for policy and practice to promote a better urban future for all and proposes opportunities to accelerate the 2030 Agenda for Sustainable Development. The Board identified some deficiencies in the three-fold implementation framework of the New Urban Agenda. First, the mainstreaming indicator to encourage governments at all levels had not yet been implemented. Second, the Urban Agenda Platform had inadequate reporting in terms of both quality and quantity. Lastly, the global urban monitoring framework had insufficient application and analysis data indicators.

Insufficient management and implementation led to inadequate project performance

149. As of March 2024, there were 93 “created projects” approved in the Umoja integrated planning, management and reporting module that were to be completed before the end of 2023, involving 882 established indicators. The indicators are a specific observable and measurable characteristic used to show changes or progress made by a project towards the achievement of a specified outcome or result. However, 330 indicators in 51 projects (54.8 per cent of the 93 projects) were delayed in terms of evaluating progress, or terminated, involving grants of $30.78 million, reflecting inadequate performance and inefficient utilization of the funds. Notably, those 34 projects with closed and closing grants were unlikely to be funded with additional resources or to realize the uncompleted indicators. The Board noted that the deficiencies in project budgeting, planning and process management were contributing factors to this inadequate performance. Furthermore, concerns about project management were also raised by donors.

Payment limits surpassed in the same account by splitting a community agreement

150. Eight community agreements under one country office signed with communities (i.e., the end beneficiaries) totalling $776,100 did not undergo clearance by the legal unit, and they were split to keep payments below the $100,000 limit each. An amount of $698,490 (90 per cent of the total) was disbursed to the same community development council account. This practice breaches headquarters guidelines on the use of UN-Habitat agreements and legal instruments, creating the risk of financial mismanagement.

Inadequate payment oversight in agreements between United Nations entities

151. A total of 10 agreements between United Nations entities managed in the grantor management module in Umoja presented inadequate payment oversight. Seven agreements, totalling $5.79 million, lacked payment conditions tied to the achievement of deliverables. Instalments under two agreements totalling $3.76 million were disbursed before meeting payment conditions. The disbursements totalling $10.26 million under three agreements did not adhere to specified payment ratios.

The current weak mechanism for managing payments within agreements between United Nations entities may result in financial control risks.

152. With regard to the above findings, the Board recommends that UN-Habitat:

(a) Obtain the consent or official evidence of consultation from the donor before transferring balances of earmarked voluntary contributions to the unearmarked grant, and specify clearly the utilization of the balances in the project financial reports or grant agreements in the future;

(b) Allocate adequate funds for evaluations in the project budget and conduct evaluations of projects in line with the evaluation policies in order to ensure that evaluation activities are carried out effectively and that evaluation reports are publicly available;

(c) Initiate implementation of the mainstreaming indicator, improve the quantity and quality of national reports and strengthen data analysis regarding the global urban monitoring framework to improve data availability for more robust monitoring and reporting on the New Urban Agenda;

(d) Strengthen the background and risk assessment in the project planning stage and improve the accuracy of budget preparations, to ensure that projects are completed within the planned time frame and budget;

(e) Strengthen expenditure control to ensure consistency with budgets through the conduct of a regular review of a project's substantive work and consolidate it with financial information in the Enterprise Core Component module, and regularly submit high-quality financial and progress reports to donors, in order to enhance the latter's confidence in UN-Habitat;

(f) Strengthen compliance oversight of the signing of community agreements, review the existing payment terms of community agreements, considering the on-the-ground reality in the relevant country office, and establish appropriate payment terms to control financial risks;

(g) Enhance the overall oversight of payments in agreements between United Nations entities, present prerequisites and payment ratios clearly, and upload all required prerequisite documents to the Umoja grantor management module to facilitate payment verification.

H. United Nations Children's Fund

Grants exceeding approved budget

153. The examination of funds categorized as grants in the Virtual Integrated System of Information-One Enterprise Resource Planning (VISION) denoted several grants that had exceeded the grants approved budgets with amounts available with negative balances.

Inconsistencies in the "7 per cent set-aside allocation"

154. Compliance with the 7 per cent set-aside allocation policy and guidelines was reviewed to determine whether only country programmes were receiving this type of funding for their programmes and if only reasonable consultancy costs were being included in proposals, thus avoiding the inclusion of staff costs. It was found that those funds were also distributed to regional offices and headquarters, and that some grants included expenditure of 50 per cent or more for staff costs.

Shortcomings in the digital tools for implementing partnership management

155. From the examination of the user roles in the eTools platform, which records the creation and modification of the action points resulting from assurance activities, it was observed that all users were by default assigned the role of "UNICEF user", which allowed them to create, categorize and close their own action points on the platform. It was also observed that, in 42 per cent of the cases, the action points were created and closed by the same user, which is at odds with a proper segregation of duties.

156. With regard to the automated planning of assurance activities, as required by current regulations, it was observed that expected scheduled programmatic visits were not registered in the system, and a significant number of planned assurance activities were not identified in eTools.

Posts vacant for an excessive period

157. The review of post vacancies at the UNICEF headquarters in New York showed that 71 positions had been vacant for more than 24 months, notwithstanding the rules in place that require a review of existing resources to identify unnecessary functions, especially those that have been vacant for more than two years.

158. On the basis of the audit findings, the Board recommends that UNICEF:

(a) Address in a swift manner the long-standing grants with amounts available with negative balances that have been identified by reviewing the underlying transactions and making the necessary adjustments;

(b) Implement a monitoring process at headquarters to ensure that negative budget amounts associated with financially closed grants are systematically reviewed and promptly cleared to verify that they have not experienced significant post-closing variations;

(c) Update its budget policy and related guidelines to reflect eligibility for the 7 per cent set-aside allocation, the maximum percentage of distribution allowed between offices and possible duly justified exceptions;

(d) Allocate the 7 per cent set-aside grants resources in accordance with the applicable policy to prevent unauthorized categories of expenses from being allocated to the set-aside;

(e) Remove from the eTools system the "All other roles" category, which is a legacy from past years and should no longer be assigned to users;

(f) Ensure proper segregation of duties for high-priority action points resulting from spot checks and special audits within the eTools platform;

(g) Leverage its digital tools for the planning and scheduling of the minimum assurance requirements set out in the UNICEF policies/guidelines and facilitate a balanced caseload throughout the year;

(h) Evaluate positions vacant for over 24 months on a yearly basis, identifying those that are not necessary, and abolishing them if applicable, and adjusting to the current entity staffing needs to ensure effective and efficient position management of UNICEF resources.

I. United Nations Institute for Training and Research

Overuse of same individual contractors

159. The Board found that several individual contractors had been providing services to UNITAR since 2020, concluding that there was an extensive use of those contractors over the years. Further analysis revealed that 52 per cent of them had been granted at least four short-term contracts in the past 12 months, with some having been contracted up to 10 times. In addition, when the terms of reference for those cases were reviewed, they were almost identical or the same.

Non-compliance with donor reporting obligations

160. The Board reviewed the level of compliance with reporting obligations to the Institute´s donors and observed that several narrative reports had been delivered with delays ranging from five days to seven months, in addition to financial reports also delivered tardily, with delays ranging from two days to six months.

Avoidance of implementing partner competitive selection procedures

161. The Board identified various implementing partners that, in order to engage with the Institute, should have gone through a competitive selection process; however, that process was avoided through the indication that the relevant implementing partner was selected by the donor. The Board's review found no explicit evidence of the donor's identification or selection of the implementing partner, nor of the programme manager's submission of proof of the donor's implementing partner selection process.

Deficient implementing partner's performance evaluation

162. The Board noticed shortcomings in the performance of implementing partners such as the programme manager not taking into consideration delayed or pending outputs when undertaking an evaluation, the absence of substantial assessments over the quality of work performed by the implementing partner and failure to align the assessment of the overall performance rating with the existing criteria and descriptors. The Board also noticed the absence of clear deadlines to conduct the implementing partners' performance evaluations.

163. On the basis of the audit findings, the Board recommends that UNITAR:

(a) Assess and adopt measures regarding the current practice of rehiring individual contractors for extended periods to avoid inappropriate prolonged use of non-staff personnel;

(b) Strengthen its planning processes when engaging individual contractors in order to avoid the excessive and repetitive issuance of their contracts;

(c) Evaluate the strength and effectiveness of the current reporting structure, mechanisms and practices in place and develop a formal corrective action plan to reduce the risk of late reporting;

(d) Ensure that reports are submitted to donors in accordance with the deadlines established in the signed agreements;

(e) Conduct a competitive selection process, as applicable, and duly document the required information for the direct awarding procedure, thereby ensuring compliance with the implementing partner selection process in accordance with the relevant guidelines;

(f) Ensure that the assessments required in the performance evaluations of implementing partners are conducted objectively and accurately, based on evidence and sufficiently substantiated;

(g) Meet the criteria and descriptors for performance ratings of implementing partners by taking into consideration deadlines and outputs under the grants agreement;

(h) Establish specific deadlines for the completion of performance evaluations of implementing partners and establish procedures when the required outputs are not delivered by implementing partners.

J. Office of the United Nations High Commissioner for Refugees

Finance

Processing of financial reports from implementing partners

164. Information and technology limitations stemming from the business transformation programme caused significant delays in the receipting and processing of implementing partners' financial reports in 2023. The total volume of implementing partner activities for 2023 was $1,392.5 million. In order to obtain reasonable assurance on the year-end estimate of unreported implementing partner expenses, the Board agreed to extend its audit period. With respect to the transactions in 2024, the Board expects implementing partners to comply with the mandatory deadlines set in the UNHCR administrative instruction on partnership management and UNHCR to process the reports in a timelier manner.

Overview of the uninvoiced receipts at year end

165. UNHCR is unable to generate a comprehensive report from the Cloud enterprise resource planning system to detail uninvoiced receipts at year end. This analytical weakness increases the risk of unidentified misstatement in year-end accrued liabilities.

Automation in the Cloud enterprise resource planning system

166. As part of its ambitious transformation plan launched in 2020, UNHCR implemented the new Cloud enterprise resource planning system to enable integrations and automations. However, by April 2024, they were not yet fully finalized. The ongoing stabilization phase led to a higher proportion of estimates and manual adjustments in the 2023 financial statements compared with the previous year. Nevertheless, the Board considers that the new system will ultimately enhance the reliability of the financial reporting by reducing the need for manual transactions.

Weaknesses in users' rights and access management for the Cloud enterprise resource planning system

167. User access management in the Cloud enterprise resource planning system shows weaknesses owing to insufficient preparation prior to the go-live, resulting in numerous incidents post-go-live. More than six months after the launch of the enterprise resource planning system, and notwithstanding several reviews at the local and central levels, insufficient assurance regarding segregation of duties remains. Automated checks to detect conflicts in roles and inappropriate transactions are not yet in place.

Incidents management for the Cloud enterprise resource planning system

168. The Board reviewed the information technology incident management since the Cloud enterprise resource planning system went live in September 2023 and observed

a particularly high number of incidents, especially related to travel processes (persisting into April 2024) and user access management (notably in October 2023), with finance processes having been less affected. In addition, the service-level agreement for system maintenance, which was to be implemented early in April 2024, was not enforced.

Information and technology security management

169. The Board noted that the vendor now handled risks and business continuity plans related to information and technology security management, which appear to be appropriate. However, with regard to the organization's overall internal security based on the new policy approved in February 2023, a number of weaknesses were identified by the Chief Information Security Officer through self-assessment questionnaires and need to be addressed.

Management of budget processes

Budget preparation, planning and appropriation

170. UNHCR is funded almost exclusively through voluntary contributions. The programme budget adopted annually by the UNHCR Executive Committee is based on an assessment of the needs, not on estimated revenue. By approving the programme budget each year, the Executive Committee indirectly sets the maximum funding level that the High Commissioner is authorized to raise and limits the number and type of positions that UNHCR is authorized to recruit. The preparation of the programme budget is therefore essentially a bottom-up exercise.

171. The programme budget presents several limits. In particular, the actual funding of UNHCR currently amounts to only about half the aspirational level set in the programme budget, which raises the question of the relevance of the assessment of the needs and of the approval granted.

Resource mobilization

172. Funds raised by UNHCR are far from the assessed needs. This "funding gap" against the needs varies from region to region. In addition, only one third of voluntary contributions are flexible, and multi-year funding has not reached sufficient levels.

173. The funding concentration risk is critical, with UNHCR remaining dependent on a very limited number of public donors. Funding from private sources shows a positive trend but would need to be further developed. A progressive introduction of new financing models could also be explored.

Budget implementation

174. To implement the budget, an annual target, called the "operating level", is set at the beginning of the year and constantly updated by the High Commissioner. The operating level represents, at any given time, the maximum amount of commitments and payments that can be incurred until the end of the fiscal year. An automated internal budget control is designed to ensure that, at the level of each operation and within each budget category, no commitments can be incurred in excess of the available operating-level amounts. That system does not, however, integrate the resource limits set under UNHCR financial rule 501.3, which have to be periodically monitored separately to verify compliance.

175. The management and internal control of budget implementation rely on a process that is in the hands of the High Commissioner. This process is based on a clear segregation of duties between those who approve the spending authority and those who carry out the expenditure and is built to ensure that commitments and

expenses are consistent and in line with the operating level spending authority, while allowing for necessary flexibility in the field. The information provided to the Executive Committee on budget implementation, although compliant with governance requirements, could be strengthened.

176. Staff costs doubled between 2018 and 2023. A realignment exercise has been launched in line with the Global Compact on Refugees, which may produce its first impacts in 2024 in terms of curbing headcount and expenditure, as well as responding to the needs regarding staff profile.

Accountability on budget management and reporting on performance

177. Although it is carried out after the actual spending, the reporting to donors reflects their requirements. To date, the funding allocation to expenditure has been performed manually by UNHCR. Covering support and administrative costs, as well as expenses for less attractive regions, can be challenging, given the earmarking requirements. Until the new ICT tools are in place, the voluminous results-based data will continue to be processed, manually, which is both time-consuming and resource-intensive.

178. Budgetary reporting to the Executive Committee is aligned with governance requirements but could be strengthened. In particular, more substantial information should be provided on the prioritization process carried out through the operating level and on the implementation of prioritized allocation.

179. Systems for monitoring and checking and later reporting on results are in place, or will soon be deployed, but their effective implementation remains uneven. The quality and relevance of results indicators also need to be improved, and there is a margin to increase ownership among staff and use the performance framework as a managerial leverage.

Management by the Office of the United Nations High Commissioner for Refugees of large camps

Strategy and knowledge of large camps

180. It is estimated that between 5.9 and 7.1 million of refugees currently live in camps, according to UNHCR sources, and there are presently some 30 large camps. UNHCR considers such camps to be undesirable solutions. Although there are country strategies, there are no tailored strategies for camps. Most of them are the result of long-standing situations and often have been in existence for several decades. There is also great diversity among the large camps, reflecting the multiple situations faced by displaced persons and the various conditions offered to them by the host countries, in particular in terms of freedom of movement and access to work. In that context, ensuring up-to-date knowledge of the situation in the large camps remains challenging.

Alternatives and exit solutions for large camps

181. Long-lasting camps and protracted situations raise the issue of exit solutions. In that regard, the costs for both UNHCR and the host Governments, although insufficiently reported, provide an incentive to move towards alternatives. UNHCR has made significant efforts to promote solutions, such as more integration within host communities or the transformation of camps into ordinary towns, which have led to some success, but a more proactive, collaborative and operational approach is still needed.

Registration processes

182. The registration processes in the large camps suffer from a number of weaknesses. The registration procedures remain fragile and vulnerable to fraud risks, resulting in unequal effectiveness. This makes it difficult to know the number of forcibly displaced persons living in the camps and to assess their needs. In that regard, improving interoperability in operations where data are exchanged between UNHCR and other entities such as WFP, appears to be key.

Needs assessment and expenditure

183. Neither the specific needs of large camps nor the related expenditure are specifically isolated in the budget development process, although some of the goods and services identified have obviously been requested for camps. As a result, drawing a comparison between the cost per refugee inside camps and the cost per refugee outside camps is challenging, although the gap can be significant in countries in which the majority of the refugees live in urban areas.

Governance of large camps, coordination and service delivery

184. UNHCR pays particular attention to its role regarding coordination of activities in the camps. Its mandated accountabilities include leadership responsibilities in refugee emergency responses, which encompasses the coordination of inter-agency refugee responses, in cooperation with host Governments. The number of sectors is determined by the context, refugee needs and operational priorities. Under the Refugee Coordination Model, UNHCR co-coordinates the following sectors with the Government: protection, with sub-sectors in child protection and gender-based violence, where appropriate; public health and nutrition; education; settlement and shelter/housing; and livelihoods and economic inclusion. Other sectors that can be established based on needs and capacity include water, sanitation and hygiene; food security; basic needs; and supply and telecommunications.

185. The co-coordination of the sectors is based on the presence and expertise of partners in the field, as well as on global agreements. In the refugee responses, UNHCR is the provider of last resort. When there are critical gaps, UNHCR may need to cover the life-saving activities.

186. However, the Board has noted that, in certain instances, UNHCR has directly implemented part of the core mandate of other United Nations agencies or played the leading role in the coordination of technical issues, without substantiating the necessity of intervening in situations with critical and urgent gaps.

187. Moreover, certain tasks that fall fully or mainly under the responsibility of UNHCR deserve more attention. In the area of activities related to the protection mandate, protection against gender-based violence in all its components, is managed unequally and sometimes very insufficiently.

Performance and accountability

188. Not enough is known about the costs and performance of large camps management. Donors, host countries and beneficiaries are unaware of the costs of camps, compared with other solutions, in particular because UNHCR presents its budget and reporting without distinguishing between refugees in camps and refugees in urban areas. In a context of financial constraints, UNHCR would benefit from a reflection on how to improve accountability, efficiency and effectiveness.

189. The Board has made 19 new recommendations on the basis of its audit. Details on how they can be implemented are provided throughout the report, notably in the

paragraphs immediately following each recommendation. The recommendations are that UNHCR:

(a) Achieve a level of processing of financial reports from implementing partners that is at least as high as the previous enterprise resource planning system at a comparable time within the annual reporting cycle;

(b) Implement, for the next financial year, an automated report within the Cloud enterprise resource planning system that enables control, at the entity level, of all uninvoiced receipts that are accrued at the end of the reporting period;

(c) Monitor the implementation of scheduled automations in the Cloud enterprise resource planning system to ensure that they are fully in place and reliable for the next reporting period;

(d) Strengthen users' rights and access management for the Cloud enterprise resource planning system by: (i) performing a review of all users with privileged roles; (ii) activating automated advanced access controls to detect inappropriate role combinations; (iii) implementing advanced financial controls and developing procedures to clear inappropriate transactions; and (iv) using advanced audit controls to track atypical use of the enterprise resource planning system;

(e) Improve the management of incidents for the Cloud enterprise resource planning system by: (i) enforcing maintenance clauses in the service-level agreement with the provider; (ii) reducing the number of travel process incidents, starting with the most critical ones; and (iii) using the "regular incident classification" to more appropriately assign the incidents;

(f) Strengthen the management of information technology security by: (i) continuing to implement, on a yearly basis, the self-assessment questionnaire initiative and adapting the staff security training accordingly; (ii) developing specific training sessions for the information security focal points; and (iii) pursuing anti-phishing campaigns and adapting training and communication on that threat accordingly;

(g) Define a strategy to bring its budgeting methodology in line with the Global Compact on Refugees, with a programme of work that better describes the organization's role and comparative advantage in relation to what is being done by other stakeholders, and in line with sustainable programming; and consult and agree with Member States on the most suitable ways to expand and improve information on allocations, priorities, trade-offs and urgent gaps based on funds available against the approved programme of work, so that they have greater visibility regarding and understanding of UNHCR activities on the ground, including, but not limited to, the provision of improved information in the budget and funding updates provided three times a year;

(h) Improve its needs assessment methodology in order to better inform the budget process;

(i) Leverage its resource mobilization strategy, including the new private sector engagement strategy to: (i) increase both the volume and quality of its voluntary contributions, in terms of flexibility, multi-year visibility and diversification, including by demonstrating to donors the impact of its operations; and (ii) assess the pros and cons and feasibility of progressively introducing new financing models;

(j) Define and implement a comprehensive strategy to increase its efficiency, identifying desirable business process re-engineering, opportunities to consolidate back-office functions at a global or regional level, taking advantage of the digital transformation resulting from the business transformation programme, and ensuring that the organization develops measures to monitor and report on that strategy;

(k) Strengthen the quality of its reporting on budget and results to both the Executive Committee and donors, and better use the performance framework as a managerial tool for the organization;

(l) Strengthen its strategy and knowledge of the large camps, in particular by: (i) defining priority actions; (ii) regularly collecting and updating quantitative and qualitative operational data on the populations concerned, including by means of statistical estimates; and (iii) providing structured communication on the situation in these camps and the results of their management;

(m) Expand the initiatives to promote, where possible, a variety of alternatives and exit solutions for large camps;

(n) Improve registration processes in large camps, including by: (i) reviewing the Guidance on Registration and Identity Management in order to foster a continuous registration approach in a one-year cycle and to set verification schedules in case that approach is not feasible; (ii) reinforcing capacity-building and support on anti-fraud procedures and ensuring a full application of the new policy and procedures on addressing fraud committed by forcibly displaced and stateless persons, including the nomination of fraud focal points, where required; and (iii) implementing an inter-operability gateway in all operations in which data are exchanged between UNHCR and WFP;

(o) Better inform the budget process with the needs and expenditure associated with the management of large camps;

(p) Strengthen its relations with the United Nations resident coordinator to better integrate refugee issues into the system-wide United Nations strategy in the host country in order to develop synergies and avoid duplications;

(q) Better identify and mitigate the risks related to the protection of forcibly displaced and stateless persons in large camps, including those concerning gender-based violence, and reinforce capacity-building in that field;

(r) Study ways of improving coordination in the management of the large camps, by clearly defining, through an update of the Refugee Coordination Model, the priority tasks entrusted to UNHCR and those for which the other partners are responsible;

(s) Improve reporting on the management of large camps, including costs and results achieved, and develop scenarios for generating savings and increasing efficiency and effectiveness.

K. United Nations Joint Staff Pension Fund

The Fund

Need to evaluate and improve post resources requests in budget proposals

190. For the Pension Administration and the Office of Investment Management, the Board noticed that the approved posts resources had increased significantly in the past three years. However, a number of posts that belonged to the Professional and higher categories and to the General Service and related categories were still vacant since 2022. In that regard, it was observed that new posts were requested each year in the budget proposal even though some posts approved in previous budget periods had not yet been filled.

Deficiencies in the monitoring of the Fund's budget implementation

191. The Board analysed the overall budget implementation performed by the Fund (Pension Administration and Office of Investment Management) as at 31 December 2023 and noted that, although the overall budget utilization rate was 99 per cent, expenditure was not aligned with the approved appropriations (i.e., underutilization in some categories was balanced by overutilization in other categories). In that respect, the Board noticed that there were no cross-cutting guidelines at the Fund level that contributed to the monitoring of expenditure and to effective budget implementation that aimed to provide timely financial information to decision makers to correct any eventual deviations from the approved resources.

Pension Administration

Insufficient disclosure and breakdown of post resources requirements for offices involved in functional reporting

192. The Board analysed the tasks carried out by the Pension Entitlements Section, the Client Services Section and the Record Management and Quality Control Unit in both the Geneva and New York offices from January to October 2023 including the number of workflows, cases and queries, among other things, and observed that, in cases related to the workflows of the Pension Entitlements Section and queries managed outside iNeed by the Client Services Section, the tasks performed by the Geneva office exceeded those carried out by the New York office. To handle those workflows, the Fund allocated 26 posts in Geneva and 37 in New York for the Pension Entitlement Section and 11 and 14 posts, respectively, for the Client Services Section. In addition, the Board reviewed the Fund's budget proposal for 2023 and 2024 and noticed that the budget proposal did not disclose or break down the information related to post resources requirements for the Geneva and New York offices and their respective workloads.

193. On the basis of the audit findings, the Board recommends that:

(a) The Fund evaluate the new posts requested in its budget proposals and incorporate into the next budget proposals an analysis of the vacant posts, according to category, grade, year of approval and time since vacancy, among other factors, as well as the effectiveness of the budgeted vacancy rate, so that the governing bodies can have more accurate information at the time when they evaluate and approve the Fund's budget;

(b) The Fund continue to fill the vacancies from previous budget periods, taking into account the opportunity provided by vacant posts to address the imbalance in gender and geographical representation without affecting the continuity of operations;

(c) The Fund evaluate its monitoring mechanism on the budget process in order to ensure that it comprehensively addresses all stages of the process, at the Fund-wide level, and thus contributes to strengthening the entity's budgeting;

(d) The Fund develop and implement effective measures that strengthen controls around budget monitoring, in particular with respect to significant categories with overexpenditure or underexpenditure;

(e) The Pension Administration document and formalize the mechanism for measuring and distributing the workload for the Geneva and New York offices to clearly define the nature and complexity of records processed by each office and the standards needed for measurement, using the resources and information technology available in the Fund;

(f) The Pension Administration disclose and break down separately the post resources requirements for the Geneva and New York offices with their respective workloads in the next budget proposals presented to the governing bodies as important steps towards greater transparency and accountability of its budget.

L. United Nations Office on Drugs and Crime

Implementing partners' performance evaluations remained overdue

194. The Board observed an average delay of 15 months in the submission of partners' performance evaluations, with long-outstanding cases since 2021, 2022 and 2023. The Board also observed that the late return of unspent balances by implementing partners was not taken into consideration in their performance evaluations.

Delay in the refund of unspent balances by implementing partners

195. The analysis of agreements completed as at 30 September 2023 showed a significant amount of unspent balances pertaining to UNODC, which had been returned with a delay ranging from 17 to 460 days after the agreement's completion.

Non-compliance with the advance purchase policy on official travel

196. After analysing the official travel performed by UNODC in 2022 and 2023, the Board noted low compliance rates with the instructions of submitting travel requests at least 21 calendar days prior to the commencement of travel and the processing rule of 16 calendar days' approval before the commencement of travel.

197. On the basis of the audit findings, the Board recommends that UNODC:

(a) Review retrospectively, at least since the issuance of the partnership policy, all finalized agreements with implementing partners and conduct the pending performance evaluations;

(b) Ensure that all performance evaluations for implementing partners are conducted in a timely manner;

(c) Include the delay of the return of the unspent balances by the implementing partner when assessing its performance;

(d) Encourage its implementing partners to refund their unspent balances in a timely manner;

(e) Include in its partnership policy a standard deadline for the refund of unspent balances by implementing partners;

(f) Analyse the root causes of the low compliance rates by each office for the submission and approval of travel requests and take actions to strengthen and increase compliance with the travel processing requirements;

(g) Include in its periodic reports a more detailed analysis of the advance purchase policy by including, at least, the rates related to the 21 days and a narrative analysis of the non-compliance and disseminate the results across its staff.

M. United Nations University

Inadequate personnel recruitment

198. The Board reviewed the in-force agreement maintained by UNU and a recruitment agency and observed that there were personnel recruited by the agency who performed core services in UNU positions. The aforementioned personnel were not accredited under any UNU personnel contract and, therefore, did not have a letter

of appointment or contract signed with the University. The personnel were paid by the recruitment agency, which was, in turn, the company that received purchase orders from UNU. The positions occupied by the recruited personnel were not included in the vacant positions or their budget needs statements for the 2023 period. These personnel had broad access to the Quantum enterprise resource planning system throughout the 2023 period.

No project correlation identification between Pelikan and Quantum

199. The Board reviewed all current UNU projects that were under implementation and verified that there was no correlation between the number of projects registered in the online project management system Pelikan and those recorded in Quantum. The Board observed that there were projects registered in Pelikan that were not linked with Quantum. There were consultants who were not linked to their projects in Pelikan. Furthermore, UNU did not undertake any analysis or reconciliation between the Pelikan and Quantum projects, nor did it establish any controls to mitigate the risk of the incompleteness of the project management information.

Inappropriate budgetary project management

200. The Board analysed the budgetary reports extracted from Quantum and observed that the administration and calculation of cost recovery (or overhead) were performed manually. The issue was not included in the Quantum budget reports as a parameter for proper monitoring at the headquarters or institute level.

201. On the basis of the audit findings, the Board recommends that UNU:

(a) **Ensure compliance with the Staff Regulations and Rules of the United Nations in terms of recruitment and personnel maintenance matters;**

(b) **Restrict access to its systems to personnel in accordance with the specific tasks contained in their letter of appointment, direct contract, agreement and terms of reference with the individual and with the Staff Regulations and Rules of the United Nations;**

(c) **Identify and correct the differences observed in the information recorded relating to the projects under implementation and ensure proper alignment between financial and non-financial monitoring in their project management systems;**

(d) **Conduct a cost-benefit analysis of Pelikan and Quantum, with the aim of assessing their usefulness for project management and establishing a formal short-term action plan to address any gap that may arise, if applicable;**

(e) **Incorporate the cost recovery or programme support cost parameter in the Quantum UNU budgetary control report to control the net available funds for implementing projects properly.**

N. United Nations Office for Project Services

Ambiguity and deficiency in the management of shared services cost

202. The shared services cost of UNOPS remained an overrecovery balance in the period 2021–2023, amounting to $29.06 million as at 31 December 2023, representing 28 per cent of annual average expenditure for the past three years. As part of the direct costs, UNOPS did not trace shared services cost to specific projects, and some shared services costs did not directly benefit specific projects providing the cost, leading to a lack of project-level financial clarity and the risk of using surpluses from previous projects to cover deficits in new ones. The communication between UNOPS and its

clients regarding the recovery of shared services costs lacked sufficient transparency. Overrecovery would exacerbate the financial burden on clients.

Deficiencies in the management of project classification, affecting revenue recognition

203. In accordance with IPSAS 9: Revenue from exchange transactions, UNOPS classified its role as either principal or agent at the beginning of each project, based on the level of responsibility and risk assumed. Owing to the lack of a clear definition regarding the significance of the risks and responsibilities of the projects, inconsistencies arose in the criteria used by different departments within UNOPS to determine the classification of a project and in the implementation of the classification. Such inconsistencies had a potential impact on the accuracy of the classification, which, in turn, affected revenue recognition.

Inappropriate financial derivative transactions with unqualified hedging instruments and insufficient internal control, leading to a net financial loss of $15.23 million

204. Deviating from the non-speculative hedging strategy, inappropriate financial derivative transactions with unqualified instruments were noted in the UNOPS hedging portfolio. Those transactions, primarily for premium-based profits rather than reducing risk exposure, were ineffective to offset the fluctuation of foreign exchange revaluation. Without sufficient internal control, the option transactions in UNOPS made a net financial loss of $15.23 million during the period 2021–2023.

Need for continued involvement and targeted efforts to recover Sustainable Investments in Infrastructure and Innovation funds

205. UNOPS had spent $6.33 million and allocated an additional $3.32 million for the Sustainable Investments in Infrastructure and Innovation initiative's legal recovery actions as at the end of April 2024. However, the timeline, performance indicators and objectives for those activities were not clearly defined. The due date for the action has been extended from late 2023, with fund recovery efforts expected to continue into 2025. UNOPS stated that information regarding the likelihood of recovery, the latest progress and budget performance of the fund recovery could not be shared with the Board owing to the highly confidential nature of the recovery.

Delivery delay and underperformance in output quality of infrastructure projects, posing a risk of financial losses and reputation impact

206. As a service provider for infrastructure, UNOPS had implemented 228 active infrastructure projects with a contract value of $4.483 billion as at 31 December 2023. However, 45 projects, valued at $767 million, were not delivered on time. Furthermore, UNOPS made provision in the amount of $12.66 million for infrastructure projects, representing for 73 per cent of the total provision in the financial statements for the year ended 31 December 2023. A case review revealed that, owing to underperformance in output quality, four projects faced risks of financial loss and reputation impact, amounting to a total potential loss of $7.45 million.

207. While further detailed recommendations are set out in the present report, in summary, the Board recommends that UNOPS:

(a) Establish clear guidance for carrying forward and usage of balances from shared services to improve the recovery of shared services cost;

(b) Report the nature of shared service to the Executive Board in compliance with the United Nations harmonized cost-recovery guidance during the budget estimate process for 2026–2027;

(c) Include a reference in the standard legal agreement about the UNOPS cost-recovery policy related to shared services to strengthen transparency in the future;

(d) Conduct an assessment of projects with internal discrepancies arising during project classification, and conduct relevant training to promote the effective execution of the project classification process;

(e) Enhance the guidance provided in the project classification guidance note in conjunction with the impending implementation of IPSAS 47;

(f) Conduct a comprehensive review of the nature, strategy, internal control and potential gains/losses of derivatives, to ensure that the use and disclosure of financial derivatives transactions by UNOPS comply with the IPSAS requirements;

(g) Maintain its involvement and continue targeted efforts in the recovery of Sustainable Investments in Infrastructure and Innovation funds in collaboration with the Office of Legal Affairs;

(h) Effectively manage infrastructure projects as per contract agreements to ensure that time and costs are monitored and timely action for issues raised;

(i) Strengthen training on infrastructure projects management to enhance technical review and regular supervision of infrastructure projects.

O. United Nations Relief and Works Agency for Palestine Refugees in the Near East

Full impairment of property, plant and equipment in Gaza

208. The Board noted that UNRWA had fully impaired all property, plant and equipment in Gaza ($199.81 million) in response to significant damage to UNRWA assets as a result of the conflict in Gaza since 7 October 2023. Owing to the ongoing conflict, UNRWA was unable to undertake a physical assessment of its buildings or perform physical inspections of its equipment in Gaza. Instead, UNRWA took a practicable alternative approach of conducting analysis on the basis of data from the United Nations Satellite Centre and incidents reported by the UNRWA Field Security and Risk Management Office in Gaza.

No disbursement of death benefit to beneficiaries of 118 deceased area staff members due to the conflict in Gaza

209. As at 31 December of 2023, 118 area staff members of UNRWA had been killed in the conflict in Gaza, for which UNRWA had allocated $5.40 million in actuarial provisions for death benefits. The Board noted that, as at 30 April 2024, UNRWA had not released any death benefit payments to beneficiaries. This lack of reactivity may leave family members of the deceased staff without financial support that could be critically needed.

Delayed verification process for applications to the social safety net programme

210. The Board noted that, as at 15 April 2024, 1,800 of 3,364 applications from families for the social safety net programme in 2023 still had a "pending field study" status. Of these, 1,301 applications had that status for over half a year and had not received a verification conclusion owing to the fixed ceilings on the budget for the social safety net programme. The lack of additional social safety net programme funds and the delayed verification process might not be conducive to the provision of timely assistance to qualified new applicants for the social safety net programme.

High percentage of loan portfolio at risks

211. The Board noted that the overall portfolio at risk of the Microfinance Department in 2023 was 22.34 per cent, while that of the Jordan field office and the West Bank field office was 13.12 and 37.86 per cent, respectively. The portfolio at risk significantly exceeded the annual target of 3 per cent, and it had been behind plan and had been increasing for at least three consecutive years. The persistent high portfolio at risk and the significant increase in the overall portfolio at risk in 2023 would pose great risks to the Microfinance Department that could negatively impact its normal operation, undermine its long-term sustainability and weaken its ability to achieve strategic goals.

212. In the light of the above-mentioned findings, the main recommendations from the Board are that UNRWA:

(a) Conduct thorough field inspections of property, plant and equipment in Gaza when conditions are suitable, and adjust impairment loss if needed based on the results of the inspection;

(b) Make efforts to increase proactive communication and publicity and expedite the payments of death benefits;

(c) Balance the social safety net programme budget and the huge demand for assistance, adopt the new programme targeting criteria and conduct mandatory restudies of all programme cases to free up more slots and reduce the waiting lists within the current programme budget ceilings;

(d) Take further actions to gradually decrease portfolio at risk for the Microfinance Department in the West Bank field office by assessing the potential risks of the operating environment on a regular basis and developing contingency plans to mitigate the adverse effects of unexpected events on loan portfolio at risks;

(e) Collaborate closely with stakeholders to solve the legal issue with the Jordan Credit Bureau and take further measures to mitigate credit risks for the Microfinance Department in the Jordan field office, such as more prudent lending practices, and timely remedial actions in cases of late loan repayments.

P. United Nations Entity for Gender Equality and the Empowerment of Women

Outdated methodology for the allocation of core resources

213. The Board analysed the methodology for the allocation of regular resources and observed that, since the year 2009, UN-Women had not evaluated its formula for the distribution of core resources (the 80-20 formula), in order to adapt it to the challenges and changes that the Entity had faced over time. In the same vein, no policy, procedure or guidance was found that established the criteria to be used by the Entity to determine the specific amounts to be allocated from the regional level to the country level.

Weaknesses in the life cycle of assurance activities

214. The Board reviewed the phases in the life cycle of assurance activities for the financial years 2021 and 2022 and, as a result of that review, detected the untimely submission of programme partners' audit reports, ineffective monitoring of the action plans and delays in the recording of programme partners' expenditure and that the audit approach policy and procedure had not been reviewed.

Untimely reconciliation of interfund cash clearing account

215. During the revision of the financial statements, the Board analysed the balances of the "interfund cash clearing" account. From that review, it was noted that, as at the date of submission of the financial statements, 30 April 2024, there were unreconciled payments with the United Nations Development Programme (UNDP), given a lack of periodic reconciliation of those payments.

216. On the basis of the audit findings, the Board recommends that UN-Women:

(a) Evaluate the methodology used for the distribution rates of core resources at all governance levels in order to incorporate up-to-date information on the reality of the Entity and its operations in the field;

(b) Establish criteria for the distribution of the core resources from the regional offices to the country offices in order to have an objective process of allocation;

(c) Implement a preventive alert, which allows for efficient monitoring for each phase of the assurance activities' life cycle at all levels of governance;

(d) Evaluate whether to enlarge the current criteria for the planning of assurance activities in order to ensure that they are implemented efficiently and in a timely manner, providing accurate financial information on the resources transferred to the programme partners;

(e) Accelerate the review of its policies and procedures related to assurance activities, with the aim of consolidating the use of the terms "programme partners" and "projects" to achieve a clear definition for the business units;

(f) Address the unreconciled amounts of payments made during 2023 by UNDP on behalf of UN-Women;

(g) Perform reconciliation with UNDP at least once a month to verify the payments made by UNDP on behalf of UN-Women, in order to avoid long-standing unreconciled payments.

Q. International Residual Mechanism for Criminal Tribunals

Uncertainty regarding the Kigali field office's transfer of functions

217. The Board observed that the Mechanism had not planned, nor taken preparatory steps towards, the closure of the Kigali field office and the handover of the services provided to the Rwandan victims and witnesses by its medical clinic. In addition, the 2024 proposed budget was reviewed in order to go through the estimations of the budgetary impact of the field office's closure. While the Board noted a decrease of 21.7 per cent between the 2023 budget and the 2024 budget, the budget proposal for 2024 did not disclose nor break down the information relating to the expenses of the field office for that budgetary period. In addition, when asked about the estimations to determine the amounts requested in the 2024 budget, most of the sections of the Mechanism in question provided the expenses for 2023.

Shortcomings in asset information, control and planning

218. The Board conducted a physical inspection of the Kigali field office's warehouse, for which a random sample of items was selected, with the aim of verifying that the equipment displayed in the warehouse was registered in the list of capitalized and non-capitalized assets, provided by the office. The results of that verification presented items that were not registered in the indicated list, items that did not have a technical identification number and several non-serialized assets that

were observed in their original packaging boxes, which had not been included in the list provided by the field office.

Unassigned assets

219. In order to assess whether the Mechanism had implemented any control measures aimed at avoiding losses of equipment during its downsizing process and closing of offices, the Board reviewed the handover vouchers employed to assign the assets to the users responsible whom the Mechanism had given an "Equipment assigned/operation" status in Umoja as at 20 November 2023. The Board found assets without supporting documentation relating to their assignment and reception by the staff in the three offices (Kigali field office, Arusha branch and The Hague branch).

Delays in asset disposal

220. The Board conducted a review of the asset disposal process at the Kigali field office, as well as both the Arusha and The Hague branches. The analyses considered the review of the supporting documentation in Umoja for 71 capitalized assets that had a write-off status, which found that capitalized assets (vehicles) had a write-off notification approved years ago, authorizing their sale. However, during the Board's physical verification, it was observed that the vehicles remained on the premises of the Mechanism without having been used for a long period, with their sales management process delayed for years.

221. On the basis of the audit findings, the Board recommends that the Mechanism:

(a) Develop preparatory arrangements for the successful transfer of the Kigali field office's continuous functions, including the care of witnesses, to a pertinent successor as part of the planned closure of the field office;

(b) Formulate an updated list of all capitalized and non-capitalized assets at the Kigali field office and plan for their appropriate disposal, in view of the closure of the field office;

(c) Ensure that assets assigned for individual use undergo a complete and timely updating of the handover vouchers and the Umoja records, aiming towards a clear determination of the users responsible for those items;

(d) Ensure that assets assigned for collective use are identified in Umoja with the name of the office responsible and their assigned focal point, aiming towards a clear determination of the users responsible for those items;

(e) Resume and finalize the disposal process of the detected assets as soon as possible to avoid greater losses of their market value;

(f) Formulate a disposal plan, which consider the actions to be followed, deadlines for the phases of the write-off and disposal process, the assignment of responsibilities (persons or sections) and control mechanisms.

R. United Nations peacekeeping operations (Vol. II)

Management of budget processes

222. The appropriations of peacekeeping operations are following a downward trend due to the overall reduction in their number and size. Total appropriation fell from $7.2 billion in 2018/19 to $6.5 billion in 2022/23. This trend will amplify in the coming years with the closure of the United Nations Multidimensional Integrated Stabilization Mission in Mali (MINUSMA) (an appropriation of $1.3 billion in 2022/23) and the transition to the progressive disengagement of the United Nations

Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO) (an appropriation of $1.1 billion in 2022/23).

223. The Board focused its audit on the management of budget processes in peacekeeping operations on four areas: budget planning, preparation and formulation; resource and liquidity management; budget implementation; and accountability on budget management and reporting on performance.

Budget planning, preparation and formulation

224. Budget planning, preparation and formulation of peacekeeping operations are intrinsically difficult exercises, on which recent progress has been made. These processes still suffer from the limitation of the essentially incremental approach used and from the lack of a multi-year perspective. The participation of all stakeholders in the peacekeeping budget development process could also be improved, and scalability opportunities at the level of both Headquarters and service centres remain underexploited.

Revenue and liquidity management

225. Liquidity tensions faced by some peacekeeping operations have led to the introduction of several tools that have proved useful but are now reaching certain limits, including in the case of the borrowing mechanisms. At the end of 2022/23, unpaid contributions for active missions amounted to $1.8 billion. In June 2023, the Secretariat was unable to ensure the timely settlement of payments to cover some contingent-owned equipment of troop- and police-contributing countries, leaving a total of $224 million due. Liquidity management cannot completely overcome the difficulty of collecting contributions in full and on time. The management of revenue, expenditure and liquidity are complementary tools to address this challenge.

Budget implementation

226. Various gaps, compared with formulation, can be noted. The flexibility of budget implementation at the field level appears variable, while opportunities exist to define and strengthen the functioning of the second line of defence in monitoring budget implementation, especially after the 2019 reforms.

Accountability on budget management and reporting on performance

227. The results-based budgeting framework and associated tools have been gradually rolled out to ensure accountability and reporting on performance. However, quantitative and qualitative shortcomings make it difficult to analyse, within the budget process, the effective use of resources and the progress made in implementing the mandates.

Management of the civilian components of multidimensional peacekeeping operations

228. Four multidimensional peacekeeping operations (United Nations Multidimensional Integrated Stabilization Mission in the Central Africa Republic (MINUSCA), MINUSMA, MONUSCO and United Nations Mission in South Sudan) comprise substantive civilian components. Staffing appropriation for these four civilian components totalled 3,225 positions in 2022/23 and their budget appropriation (including operational costs) reached $332.5 million in 2022/23, representing 14.1 per cent of the entire appropriation of these four multidimensional missions.

229. The Board focused its audit on the civilian components of multidimensional peacekeeping operations on four areas: translating the mandate and planning the

civilian component's operations; resource and management of the civilian component; integration of the civilian component within the mission and coordination with other stakeholders; and performance and accountability of the civilian component.

Translating the mandate and planning the civilian component's operations

230. Mandates for multidimensional peacekeeping operations are characterized by a growing complexity with regard to the civilian component's objectives. The translation of the mandate from the strategic to the operational level is based on cascading planning, but the quality of mission planning remains heterogeneous, the involvement of Headquarters appears inconsistent and the articulation with key stakeholders outside the missions is insufficient. Although essential given the scale and nature of the activities carried out by the civilian components, the sequencing of operations remains a weak point, in particular in the transition and withdrawal phases.

Resource and management of the civilian component

231. Available data on the staffing and cost of the substantive civilian component show growth in its cost despite stable headcounts. Civilian components turn to extrabudgetary funds to complement operating appropriations. They also face a series of challenging human resources issues, including with regard to recruitment and staff rotation.

Integration of the civilian component within the mission and coordination with other stakeholders

232. The United Nations has developed a strong doctrine on peacekeeping that emphasizes the necessity of fully integrating all components of a multidimensional mission, including the civilian component. However, current practices of integration suffer from various weaknesses. United Nations agencies, funds and programmes engage in areas of concern to the civilian component. Many examples of cooperation exist but there is room to improve the effectiveness of this cooperation. The host country is the first and foremost partner of the civilian component. There is room to improve the effectiveness of the cooperation with key stakeholders outside the United Nations system.

Performance and accountability of the civilian component

233. Reporting on the performance of the civilian component involves abundant data and uncoordinated tools. This cumbersome process does not allow for reporting on the performance results of the civilian component in a relevant and reliable way. Therefore, the achievements of each of the civilian components and their key success factors are not adequately highlighted. Shortcomings in the performance assessment of the civilian component reveal a need for greater involvement of Headquarters and the senior management of the missions and the need to streamline reporting requirements and make better use of performance review tools.

Finance

Bank account management

234. The Board identified discrepancies between the United Nations register of signatories and banks, as well as outdated staff privileges that should be removed.

Employee benefits liabilities

235. Non-current employee benefits liabilities amounted to $1,597.8 million, according to the financial statements for volume II in 2022/23. The estimation of the

valuation of employee benefits liabilities is outsourced to an actuary firm under a contract. Efforts were made by the Administration to provide all appropriate documentation. However, progress in assessing the actuarial assumptions of medical plans and cost-sharing processes has yet to be made.

Credit returns to Member States

236. The method of calculating the credit returns to Member States is complex and has been refined in the financial year 2022/23. However, this sensitive procedure needs to be fully documented to ensure transparency. Meanwhile, a technical issue in the Umoja Enterprise Core Component funds management module has affected the calculation of the credit returns to Member States over the past nine years. The Administration identified this issue and resolved it in July 2022. At this stage, the amount of the understatement estimated by the Administration is $17.0 million. The exact amount is currently being determined and will be rectified once the correction is considered final.

Cost recovery

237. The accumulated surplus of $105.2 million is similar to the previous financial year. Maintaining a substantial unencumbered balance is not an effective or efficient method of fund management. To avoid receiving double payments – one from peacekeeping cost-recovery funds and the other from assessed contributions – entities are required to determine whether an expenditure related to the cost-recovery fund is not already covered by assessed contributions. The Administration has identified misclassifications of revenue, leading to the return of $21.0 million to Member States.

Procurement of fuel

Category management

238. Fuel represents a significant procurement category for peacekeeping operations, amounting to $369 million in 2022. The Organization has defined a comprehensive strategy to enhance efficiency, yielding notable results. However, the Board noted occasional delays and interruptions in certain actions undertaken as part of this strategy. Market outreach and sustainable development are two areas for improvement. As the context has changed significantly, the revision of the fuel category strategy adopted four years ago needs to be considered.

Monitoring

239. The Organization has introduced new methods to improve the efficiency of fuel procurement management. However, the results are not monitored through adequate reporting by the missions and the use of key performance indicators.

Due diligence regarding vendors

240. The Organization encountered major problems with the delivery of fuel to two large peacekeeping missions, which affected operations and led to a significant financial loss (estimated at $22.5 million). These problems, mostly linked to the financial difficulties of the provider, revealed the need to improve the Organization’s due diligence regarding its vendors. Measures have already been taken to better assess the financial health of vendors in the future.

Closure of the United Nations Multidimensional Integrated Stabilization Mission in Mali

241. The termination of the mandate of MINUSMA was not foreseen in the short term. It has represented a major challenge for the Organization since June 2023 and will remain so in the coming months. Lessons learned from the recent closure of the African Union-United Nations Hybrid Operation in Darfur were taken into account where applicable. The early withdrawal faced unanticipated risks and safety issues. Both Headquarters and the mission's leadership were, however, able to respond to the situation.

242. The Board made 26 new recommendations based on its audit. Details of how they can be implemented are provided throughout the report, notably in the paragraphs immediately following the formulation of each recommendation. The main recommendations are that the Administration:

(a) Develop a strategy and propose to the General Assembly ways to improve budget development for peacekeeping operations, in order to achieve greater accuracy, predictability and efficiency;

(b) Analyse the sustainability of the support account, taking into consideration the consequences of the reduction or closure of peacekeeping missions, and develop scalability models for both Headquarters and service centres;

(c) Present, in its next report to the General Assembly on improving the financial situation of the United Nations, desirable evolutions in revenue, expenditure and liquidity management for peacekeeping operations;

(d) Define the roles and responsibilities of budget monitoring of peacekeeping operations by different stakeholders of the second line of defence to ensure that appropriate checks and balances are in place and greater attention is paid to budgetary discipline and mandate priorities;

(e) Streamline and improve the quality of the data used in accountability reports produced as part of the results-based budgeting;

(f) Develop a methodology to gradually build up a presentation of the main expenses according to an analytical breakdown by mandate component;

(g) Review the planning of the civilian component's operations to ensure, after in-depth consultations, a more realistic multi-year sequencing of the implementation of the mandate and a better alignment with strategic priorities;

(h) Provide information in the budget documentation on the costs of the substantive civilian component of peacekeeping operations;

(i) Review and adjust existing senior mission leadership mechanisms, in line with the revised Policy on Integrated Assessment and Planning, to enhance their effectiveness in the delivery of their core integration and strategic management functions;

(j) Explore new ways of working with United Nations agencies, funds and programmes regarding the implementation of the objectives of the peacekeeping mandates;

(k) Review, through a process including both Headquarters and the missions, the quality of the existing reporting on the performance of the substantive civilian components of peacekeeping operations, in order to increase its relevance and better support strategic management and oversight;

(l) Update the information on signature authority with the missions to ensure that the personnel registered correspond to the operational needs;

(m) Request from the banks a written confirmation when a change in signatories is notified to them;

(n) Include in the policy document mentioned in chapter II, paragraph 274, of A/77/5 (Vol. II): (i) an analysis of the possibility of differentiating the withdrawal and retirement rates at the time of retirement by participant status (international versus national); (ii) a study to determine the historical rate of participants in after-service health insurance plans who leave the plan after retirement; and (iii) an option that the valuation method for the full valuation be revised in the light of the results of these analyses;

(o) Establish in a formal document the process for determining the peacekeeping operations' shares of the various after-service health insurance medical plans, specifying in particular the internal controls to be implemented;

(p) Establish a standard operating procedure for the credit returns to Member States that provides an overview of the process and the related internal controls;

(q) Finalize its analysis to determine the final adjustments necessary related to credit returns;

(r) Review the cost-recovery accumulated surplus of the United Nations Mission in South Sudan, United Nations Support Office in Somalia, MINUSMA, MINUSCA, MONUSCO and the United Nations Interim Security Force for Abyei (UNISFA) and make the necessary adjustments;

(s) Continue its work on centrally monitoring cost recovery in particular to ensure the correct differentiation between spendable and non-spendable income;

(t) Complete its review of the fuel category strategy in a timely manner to adapt it to various challenges, including by exploring additional contract tools and operating models in order to reduce its dependence on a very limited number of suppliers;

(u) Improve reporting from the field concerning fuel needs and consumption;

(v) Continue to reinforce financial diligence with vendors both at the selection phase and in cases when significant and persistent issues affect the ongoing performance of the contract;

(w) Ensure better anticipation and mitigation by peacekeeping operations of the risks associated with withdrawal.

IV. Status of implementation of outstanding recommendations

243. In every audit report, the Board analysed various issues during the audit and made recommendations. In its resolution 78/242, the General Assembly 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 Board's recommendations in a prompt and timely manner.

244. The Board reviewed the status of previous audit recommendations (see table 10) and noted that the overall rate of implementation of the outstanding recommendations was 51.08 per cent in 2023, a decrease of 1.41 per cent compared with 2022.

Table 10
Comparison of the status of previous audit recommendations over the past three years

	Total number of previous audit recommendations as at end of each financial period			*Audit recommendations by status as at end of each financial period*											
				Fully implemented			*Under implementation*			*Not implemented*			*Overtaken by events*		
Entity	*2023*	*2022*	*2021*	*2023*	*2022*	*2021*	*2023*	*2022*	*2021*	*2023*	*2022*	*2021*	*2023*	*2022*	*2021*
United Nations (Vol. I)	220	262	278	88	111	98	115	140	160	–	–	–	17	11	20
United Nations peacekeeping operations	41	41	89	13	19	53	27	21	22	–	–	9	1	2	5
ITC	16	19	21	7	8	8	9	9	12	–	–	–	–	2	1
United Nations Capital Development Fund	8	7	7	8	7	7	0	0	–	–	–	–	–	–	–
UNDP	30	50	56	20	36	38	10	11	16	–	–	1	–	3	1
UNEP	52	52	85	25	22	58	24	27	25	1	1	2	2	2	–
UNFPA	46	36	30	29	27	24	11	7	6	6	2	–	–	–	–
UN-Habitat	72	79	88	34	34	35	38	44	48	–	–	1	–	1	4
UNICEF	33	28	44	24	23	37	9	1	5	–	2	–	–	2	2
UNITAR	27	13	11	14	9	8	9	2	2	4	–	–	–	2	1
UNHCR	58	77	80	34	31	43	21	41	23	–	–	1	3	5	13
United Nations Joint Staff Pension Fund	15	35	41	9	29	26	4	6	14	–	–	–	2	–	1
UNODC	24	33	29	10	22	13	12	9	12	1	–	–	1	2	4
UNOPS	31	45	45	18	25	24	12	12	19	–	–	–	1	8	2
UNRWA	35	49	51	21	31	29	10	18	21	–	–	–	4	–	1
UNU	30	27	11	14	16	7	14	10	4	–	–	–	2	1	–
UN-Women	26	27	29	24	19	21	2	8	8	–	–	–	–	–	–
IRMCT	23	25	32	10	6	13	5	7	10	7	12	5	1	–	4
Total	**787**	**905**	**1 027**	**402**	**475**	**542**	**332**	**373**	**407**	**19**	**17**	**19**	**34**	**41**	**59**
Percentage				**51.08**	**52.49**	**52.78**	**42.19**	**41.22**	**39.63**	**2.41**	**1.88**	**1.85**	**4.32**	**4.53**	**5.74**

Source: Audit reports of the Board.

245. As at 31 December 2023, the 18 entities covered in the present report had accumulated 351 outstanding recommendations (332 under implementation and 19 not implemented), as shown in table 10. Detailed explanations of each recommendation are provided in the individual audit reports of the entities. The decline in the implementation rate and delays in the implementation of the recommendations for some entities are the result of several factors, one of which is the extended compliance deadline set by the entity itself, which may cover more than one audit period, allowing the entity to make gradual progress. Therefore, for some entities, the low level of implementation could be attributable to the existence of recommendations with long periods of execution. A second factor is that the system adjustments and personnel adjustments postponed the implementation of

recommendations. In such cases, the overall status of the recommendation is listed as being under implementation.

246. Table 11 shows the percentage of fully implemented recommendations by entity for 2021, 2022 and 2023 based on the figures provided and presented in table 10. For 10 entities, the implementation rate was more than 50 per cent in 2023. Four entities (United Nations operations as reported in volume I, ITC, UN-Habitat and IRMCT) had an implementation rate below 50 per cent over the past three years. United Nations peacekeeping operations had a lowest implementation rate, at 31.71 percent, while the United Nations Capital Development Fund had the highest implementation rate, at 100 per cent, in 2023, followed by UN-Women at 92.31 per cent. United Nations peacekeeping operations, UNFPA, UNICEF, UNITAR and UNU maintained a decreasing trend in their implementation rates over the past three years, while UNOPS, UN-Habitat and ITC showed an increasing trend.

Table 11
Implementation rates of audit recommendations by entity over the past three years

	Total number of audit recommendations as at end of each financial period			*Audit recommendations fully implemented as at end of each financial period*					
				2023		*2022*		*2021*	
Entity	*2023*	*2022*	*2021*	*(Number)*	*(Percentage)*	*(Number)*	*(Percentage)*	*(Number)*	*(Percentage)*
United Nations (Vol. I)	220	262	278	88	40.00	111	42.37	98	35.25
United Nations peacekeeping operations	41	41	89	13	31.71	19	46.34	53	59.55
ITC	16	19	21	7	43.75	8	42.11	8	38.10
United Nations Capital Development Fund	8	7	7	8	100.00	7	100.00	7	100.00
UNDP	30	50	56	20	66.67	36	72.00	38	67.86
UNEP	52	52	85	25	48.08	22	42.31	58	68.24
UNFPA	46	36	30	29	63.04	27	75.00	24	80.00
UN-Habitat	72	79	88	34	47.22	34	43.04	35	39.77
UNICEF	33	28	44	24	72.73	23	82.14	37	84.09
UNITAR	27	13	11	14	51.85	9	69.23	8	72.73
UNHCR	58	77	80	34	58.62	31	40.26	43	53.75
United Nations Joint Staff Pension Fund	15	35	41	9	60.00	29	82.86	26	63.41
UNODC	24	33	29	10	41.67	22	66.67	13	44.83
UNOPS	31	45	45	18	58.06	25	55.56	24	53.33
UNRWA	35	49	51	21	60.00	31	63.27	29	56.86
UNU	30	27	11	14	46.67	16	59.26	7	63.64
UN-Women	26	27	29	24	92.31	19	70.37	21	72.41
IRMCT	23	25	32	10	43.48	6	24.00	13	40.63
Total number	**787**	**905**	**1 027**	**402**		**475**		**542**	
Overall percentage					**51.08**		**52.49**		**52.78**

Source: Audit reports of the Board.

V. Performance from a financial and budget perspective

247. Efficient financial and budget management is crucial for the United Nations, enabling it to effectively deliver the mandate entrusted to it by the Member States in a cost-effective and accountable manner, address a wide range of global issues and achieve strategic objectives within the 2030 Agenda. This has been emphasized and reinforced in various resolutions of the General Assembly, including its resolution 64/259, by which it required that staff, among others, be answerable for all decisions made and actions taken by them and be responsible for achieving objectives and high-quality results in a timely and cost-effective manner, fully implement and deliver on all mandates, and ensure proper stewardship of funds and resources. It is of paramount importance for maintaining United Nations credibility and trustworthiness on the global stage considering that the Organization relies heavily on assessed contributions and voluntary contributions from Member States and donors, making it essential to demonstrate that these funds are being managed responsibly and effectively. In this regard, financial and budget performance constitutes an essential framework for the judicious allocation and utilization of resources within any organizational structure through policies, internal controls, performance management and accountability measures, among others.

248. In its previous report (A/78/215), the Board focused on financial and budget management mainly from a compliance and policy perspective and noted the following weakness: absence of regulations and rules in some areas; opportunities for improvement in some regulations, rules and guidelines; and weaknesses in compliance with the existing regulations, rules and guidelines. Those findings revealed a more highly targeted way to build a more comprehensive and overarching financial and budget policy framework. The Advisory Committee on Administrative and Budgetary Questions (A/78/578, para. 42) stressed the importance of adhering to budgetary regulations, rules and guidelines and recommended that the General Assembly request entities to review their policy frameworks and monitor compliance, so as to strengthen budgetary discipline and accountability. The Assembly endorsed that recommendation in its resolution 78/242.

249. In its current audits, the Board has continued to focus on financial and budget management, mainly from a performance perspective. This is aligned with the mandate of the Board as defined in regulation 7.5 of the Financial Regulations and Rules of the United Nations, by which it is indicated that the Board may make observations with respect to the efficiency of the financial procedures, the accounting system and the internal financial controls, and, in general, the administration and management of the Organization. It also aligns with General Assembly resolution 66/232 B, in which the Assembly endorsed the fundamental role of the Board, as the independent external auditors of the United Nations and its funds and programmes, in contributing to enhanced accountability, transparency, governance and value for money through the conduct of performance audits.

250. The Board probes the performance from a financial and budget perspective in key areas of budget management, financial management, supply chain management, project management, investment management and revenue-generating activities, among others, with an aim of identifying weaknesses in financial and budget management that may have a negative impact on operational efficiency and performance.

251. In response to these weaknesses and given the importance of financial and budget performance and its significance to the delivery of the mandates and the stewardship of the resources of the United Nations entities, a special section covering

the financial and budget performance of 18 entities for the 2023 financial year has been included in the present report.

A. Survey results

252. In order to obtain an assessment of the performance in financial and budget perspective, the Board conducted a survey among 17 entities[7] on issues relating to the requirements from the governing bodies and policy arrangements, as well as the performance-related issues in some focus areas. Results a from the survey are summarized below.

253. The governing bodies for all 17 entities attached great importance to financial and budget performance and commonly proposed specific requirements when reviewing and approving budgets. For example, in UNEP, governing body decisions normally include a standard paragraph on the requirements for financial and budgetary performance reporting processes and procedures. For United Nations operations as reported in volume I, the General Assembly laid down budget discipline and principles, among others, which were translated into detailed requirements in the budget guide in the compilation of budgets and the reporting on financial and budget performance.

254. In terms of the main policies, measures and mechanisms put in place to implement the requirements of the governing bodies, nine entities indicated that they had established policies, measures, including results-based budgeting, results-based management, various performance metrics and key performance indicators, among others, to ensure that mandates were translated into workplans and that requirements on optimization in resource mobilization, allocation and utilization were duly implemented. All entities considered the recommendations made by oversight bodies, especially those by OIOS and the Board of Auditors, to be of paramount importance in helping them to duly identify any inefficiencies and ineffective procedures and address them in a proper and timely manner.

255. While the entities agreed on the need and significance for entities to further improve their financial and budget performance, they also mentioned some challenges. For example, for UNDP, the Board noted that: (a) while UNDP was undertaking many efforts to measure performance across the organization, how such data were used to inform the budget process was not clearly communicated in the annual budget formulation guidance; and (b) reporting to the Executive Board on budget matters was critical and governed by the UNDP Financial Rules and Regulations; however, such communication was based on financial data that should be improved in terms of readability and comparability. For United Nations operations as reported in volume I, the Board noted incomplete budget information on rental income in the proposed programme budget. In the most recent budget fascicle (A/79/6 (Sect. 1)), gross revenue and expenditure of spendable and non-spendable rental income were not disclosed separately, which may not provide sufficient information for the rental income estimates. For UNU, cost recovery was not included in the budget Quantum reports as a parameter for proper monitoring at headquarters or at the institute level, and the administration and calculation of cost recovery (or overhead) were performed manually.

[7] Peacekeeping operations were not included in the survey owing to the timing of the audit.

B. Findings in financial and budget performance

256. The Board's findings in relation to financial and budget performance across all the entities are set out below.

1. Loss or waste of resources

257. With regard to United Nations operations as report in volume I, the Board noted the following potential instances of loss and waste of resources:

(a) During the period from 2015 to 2023, 6,314 unused equipment items with an acquisition value of $10.46 million had been disposed of; 11,786 pieces of equipment acquired from 2011 to 2022, with an acquisition value of $30.6 million, had not been distributed for use for more than two years since their acquisition; and during the period from 2018 to 2023, 2,711 pieces of equipment (with an acquisition value of $17.72 million) had been disposed of, and those items had been used for less than 50 per cent of their service life;

(b) According to the activity reports of OIOS from July 2010 to June 2023, 175 recommendations (105 raised by the Internal Audit Division and 70 raised by the Investigation Division) with a "closed" status could have financial implications amounting to $88.76 million, of which $21.13 million (23.81 per cent) had been recovered;

(c) The Board noted two cases in which the United Nations Secretariat suffered potential losses of some $10.8 million, while no investigation had been undertaken or accountability had been enforced. With respect to a contract dispute between the United Nations Secretariat and an external project service provider, the latter sought arbitration for an increase in payment of tens of millions of dollars stemming, in part, from substantial changes in programming and design. The Secretariat was ordered to pay the service provider approximately $9.3 million in June 2020 and in 2024. In another dispute, a United Nations entity awarded a project before the contractor had qualified as a level 2 vendor, in violation of the United Nations Procurement Manual. The Administration also failed to terminate the contract promptly when the contractor was unable to fulfil obligations and did not address the joint venture's liability for termination costs, resulting in a $1.5 million loss for the United Nations;

(d) Given that ICT contracts adopt a volume-based discount, there were price reductions applied when the accumulated annual expenditure reached or exceeded a targeted threshold. Such discounts help to save costs and build long-term, stable relationships. However, the Board found that approximately $3 million in volume discounts under ICT contracts went uncollected;

(e) The United Nations cloud strategy involves a hybrid, multi-cloud approach that integrates internal systems with public cloud technologies from providers M and A. However, the low utilization of public cloud resources indicates waste, with potential annual savings of $1.22 million through cost optimization suggestions such as right-sizing, deleting unused resources and improved resource management based on cloud technology providers' recommendations;

(f) Lack of a timely refund of $4.23 million involved in fraud cases from 2018 to 2024 for projects involved in 12 sampled fraud cases with an estimated amount of more than $100,000 each, of 54 fraud cases referred to the Office for the Coordination of Humanitarian Affairs.

258. The Board noted that, with regard to United Nations peacekeeping operations, the loss resulting from a vendor's deficient performance on contracts was estimated

at $40.5 million, including $22 million for a MINUSCA fuel contract, $18 million for a MONUSCO food rations contract and $0.5 million for a MONUSCO fuel contract. The Board also noted that a T-wall project had been concluded between MINUSCA and company G, but 800 of a total of 4,000 T-walls had not been produced in accordance with the specifications required in the contract, and that there no remedial measures had been taken to correct this for more than two years.

259. In the case of ITC, in 2023, it hired seven consultants through UNOPS after the 24-month limit had been reached. Recruitment through UNOPS and UNDP incurred additional administrative costs, with management fees totalling $1.06 million from 2021–2023.

260. In the case of UNOPS, the Board analysed the accounting result of trading option during the period 2021–2023 and noted that UNOPS had incurred a net financial loss of $15.23 million, including the premium income, owing to inappropriate financial derivative transactions with unqualified hedging instruments. Insufficient internal controls led UNOPS to that financial loss. In addition, as a service provider for infrastructure, UNOPS made provision in the amount of $12.66 million for infrastructure projects, accounting for 73 per cent of the total provision in the financial statements for the year ended 31 December 2023. A case review revealed that, owing to underperformance in output quality, four projects faced risks of financial loss and reputation impact, amounting to a total potential loss of $7.45 million.

2. Inactive funds and idle resources

261. The Board noted that inactive funds and idle resources at United Nations operations as reported in volume I included the following:

(a) A total of 13 special political missions had expenditure on furniture and equipment for three consecutive years totalling $27.63 million. For example, UNAMA overspent $6.34 million on ICT equipment in the past three years. In 2023, although UNAMA needed to replace 360 computers, only 150 were proposed to be purchased, in the amount of $258,750. By the end of 2023, 505 computers had been procured for a total of $929,340.80, with $670,590.80 redeployed from other budget classes. In addition, 179 computers had remained idle for more than four and a half years as at 31 December 2023;

(b) As at 31 December 2023, the accumulated surplus of cost-recovery fund 10RCR totalled $489.45 million. Although the growth rate of the annual surplus slowed in 2022, it rebounded in 2023, with an annual surplus of $33.3 million;

(c) There was approximately $7 million in overdue advances to staff. For example, at the United Nations Office at Geneva, $1.26 million in staff advances were overdue, primarily for education grants and travel. Some advances dated back to 2017;

(d) A total of $7.09 million in unspent balances from implementing partners had not been returned, including $4.99 million from country-based pooled fund projects of the Office for the Coordination of Humanitarian Affairs and $2.10 million for completed projects funded through the sub-fund of the trust fund for peace and development managed by the Executive Office of the Secretary General, resulting in the funds being inadequately utilized;

(e) New CarLog systems (electronic vehicle fleet management devices) of $1.9 million in purchase order value were not functioning for more than two years;

(f) The overall computer-employee ratio of United Nations operations as reported in volume I was 2.37, with 15 per cent of computers idle. United Nations Headquarters had an overall computer-employee ratio at 2.52, with 25.3 per cent of computers idle. Special political missions had an overall computer-employee ratio of 1.52, with rates of idleness reaching 57.55 per cent in some cases;

(g) Inefficient utilization of some websites and applications. Many of them had low user engagement, with 13.2 per cent of applications and 6.19 per cent of websites used by 10 or fewer internal users;

(h) Analysis of the use of Microsoft 365 accounts revealed 1,840 unused licences and 950 accounts inactive for more than 90 days, of 63,444 total licences.

262. With regard to UN-Habitat, ineffective grant management, in particular a lack of consultation with donors, led to $45.9 million in inactive funds, negatively affecting resource effectiveness, efficiency and utilization. A total of 242 closed grants had an inactive $5.37 million balance for more than 12 months. Another 24 grants had a $40.5 million residual balance that was not used to benefit the entity.

263. In the case of UNODC, the Board noted that implementing partners delayed the refund of unspent balances after the end of the agreement. Of 14 agreements completed by 30 September 2023, 13 had unspent balances totalling $740,040.87. Delays in returning those funds ranged from 17 to 460 days. Such delays hinder the ability of UNODC to recover funds and negatively affect efficient fund utilization.

264. With regard to UNEP, the Board noted that retaining funds at the project level led to inefficient resource use. As at 31 December 2023, $69.15 million was retained at the project level. A total of 79 projects retained funds for two to five years ($32.74 million) and seven projects retained fund for more than five years ($0.59 million). A total of 140 operationally closed projects awaiting financial closure had outstanding funds of $35.82 million, which could have been used to generate further benefits for the entity.

3. Inefficiencies in operations

265. With regard to United Nations operations as reported in volume I, the Board noted the following:

(a) The number of underrepresented and unrepresented countries remained unchanged in large part over three years. Many geographical posts were vacant for extended periods. The key performance indicator for appointments from unrepresented and underrepresented countries was not met for three consecutive years, reaching only 35.81 per cent against a 50 per cent goal in 2023. The geographical representation of resident coordinators, pool members and talent pipeline members were all concentrated in a few regions;

(b) Two sampled projects, a water tank replacement project and an exit ramp project, showed significant delays over multiple years. From 2020 to 2023, the total budget proposed for the two projects was under section 33, Construction, alteration, improvement and major maintenance, in the amount of $7.5 million, while the total actual expenditure was only $1.33 million in 2023, and $4.78 million in expenditure incurred and commitment established was under Section 29 B, Department of Operational Support, without an approved budget, from 2020 to 2023, which indicated that the approved budget was not strictly implemented. The Board is also concerned that the extended retention of remaining balances for commitments may affect the interests of Member States;

(c) Notwithstanding an increase of $90 million in after-service health insurance and repatriation benefit reserves, to $451.18 million in 2023, those long-term funds were still invested in the main cash pool through a short-term strategy. The inconsistency between investment duration (0.6 to 1.0 year) and liability duration

(8 to 21 years), coupled with lower returns compared with discount rates, might prevent potential economic gains and risk future liability coverage;

(d) The United Nations Dispute Tribunal and the United Nations Appeals Tribunal had, respectively, referred 19 and 3 judgments to the Secretary-General for possible action to enforce accountability from 2010 to 2023, involving mainly inappropriate administrative decisions regarding staff dismissal, post adjustment and non-selection, abuse of power, harassment of employees and inefficient management, which were not duly tracked;

(e) Only 57.14 per cent of entities submitted ICT budgets to the Office of Information and Communications Technology review in 2023, and 15 ICT projects with total expenditure of $158.5 million were not submitted to the Information and Communications Technology Steering Committee for review, which may result in fragmentation, non-compliance with the existing ICT landscape or structure, or financial losses.

266. As regards UNOPS, it established a comprehensive response plan, with a $35.4 million supplementary budget, in February 2023 to address recommendations on Sustainable Investments in Infrastructure and Innovation investment, internal controls, risk management and governance. As of March 2024, five of seven comprehensive response plan activities due in December 2023 had been postponed: two to 2027 ($21.1 million budget) and three to 2024 ($12.1 million budget). By the end of 2023, actual comprehensive response plan expenditure was $8.7 million, and the first $11.8 million tranche was not used in full. Comprehensive response plan objectives were poorly achieved owing to low budget execution and an insufficient budgeting basis. In addition, UNOPS had implemented 228 active infrastructure projects with a contract value of $4.483 billion as at 31 December 2023. However, 45 projects valued at $767 million were not delivered on time in line with their contracts. Those delayed projects had expenditure of $622 million, with a budget implemented rate of 81 per cent, indicating inefficiencies therein.

267. With regard to UNRWA, several cases were identified that demonstrated low effectiveness:

(a) As at 31 December 2023, 118 area staff members of UNRWA were killed in the conflict in Gaza. Although UNRWA had allocated $5.40 million for the actuarial provision of death benefits, no payments were released until 30 April 2024;

(b) A total of 1,301 applications for the social safety net programme had been pending for more than six months and did not receive verification conclusions;

(c) A total of 12 of 18 objectives in the digital transformation strategy were slow in terms of the progress in their implementation;

(d) A total of 1,466 loans issued by the Microfinance Department of the Syrian Arab Republic field office experienced a longer approval period than what was required in the related manual.

268. The Board noted instances of slow progress in increasing renewable energy in United Nations peacekeeping operations. UNISFA had only solar-powered street lights and solar water heaters and was using hybrid air conditioners at a level II hospital. While UNISFA had budgeted $1 million for a solar farm to produce renewable energy, only $27,750 was used for the project and the rest was redeployed to other areas. At the United Nations Support Office in Somalia, the renewable energy proportion increased, from 0.14 per cent of total consumption in 2019/20 to 3 per cent in 2020/21 and to 4 per cent in 2021/22.

269. As regards UNU, the Board noted that, in both the fixed-term appointment and personnel service agreement staff categories, there were highly represented regional

groups and others that were less represented, which reflected an imbalance in the diversity of regional groups of UNU staff. In addition, it was verified that UNU did not have a formal medium- and long-term strategy to reduce the existing gap in the matter.

270. With regard to United Nations Joint Staff Pension Fund, the General Assembly has, since its seventy-fourth session, reiterated its request that the Secretary-General and the Pension Board ensure that the staff composition of the Office of Investment Management and of the Pension Administration be based on as wide a geographical basis as possible. The Advisory Committee on Administrative and Budgetary Questions also reiterated its trust that the Fund would continue its efforts to ensure equitable geographical representation and gender balance in appointments and nominations at all levels. However, little progress has been made in this regard, and the imbalance in the diversity of regional groups of its staff remains.

271. In the case of UN-Habitat, 51 projects that were expected to be completed by the end of 2023 did not meet their objectives (i.e., 330 indicators were not realized). Of 51 projects, 34 in progress had 216 indicators delayed in terms of evaluation progress or terminated, with 83.55 per cent of the budget spent. A total of 17 projects remained incomplete, with 114 indicators delayed or terminated and only 48.66 per cent of the budget used. The Cities Investment Facility failed to achieve its $3 million fundraising target. UN-Habitat did not allocate sufficient evaluation budgets for 144 projects, resulting in 33 of 34 sampled projects lacking evaluation reports, which raised concerns about performance and accountability.

272. In the case of UNFPA, it is required that country offices submit a usage report to the Humanitarian Response Division within one month of activating the fast-track procedure. The Division analyses these reports annually to identify lessons learned and improve procedures. However, 17 of 36 (47.22 per cent) fast-track reports were overdue, and the Division did not conduct annual usage report assessments in 2022 and 2023 owing to a lack of procedures.

273. With regard to UN-Women, it was noted that programme partners' audit reports were not submitted in a timely manner. For the first audit plan, 135 of 455 reports were delivered after the financial statements had closed. For the second audit plan, 62 of 153 reports had not been submitted by the audit date. In addition, of $7.5 million in payments made by UNDP on behalf of UN-Women, $1.6 million had not been reconciled by the financial statements' submission date, with $176,541 still unreconciled as at the audit date.

274. In the case of UNITAR, the level of compliance with reporting obligations to the Institute´s donors were reviewed, and several narrative reports were delivered with delays ranging from five days to seven months, in addition to financial reports also delivered with delays ranging from two days to six months.

275. In the case of IRMCT, the Board conducted a review of the asset disposal process at the Kigali field office and at both the Arusha and The Hague branches. The Board reviewed the supporting documentation in Umoja for 71 capitalized assets that had a write-off status, finding that capitalized assets (vehicles) had a write-off notification approved years ago that authorized their sale. However, the vehicles were at the premises of the Mechanism without having been used for a long period of time, with their sales management process delayed for years.

276. For UNICEF, the Board noted some posts that had been vacant for an excessive period, in that 29 per cent of its New York headquarters posts (71 of 243) remained vacant for more than 24 months, with some project positions remaining unfilled for up to 138 months. This denotes deficiencies in budget management and planning, thereby preventing resources from being used for other purposes, which may

therefore hamper the organization's ability to achieve its intended objectives and results.

4. Challenge in meeting the performance targets

277. With regard to United Nations operations as reported in volume I, the Board noted that the following:

(a) Action was needed to improve performance with respect to the delegation of authority monitoring framework. A total of 10 of 16 key performance indicators did not meet their targets in 2023, with some showing a downward trend with respect to performance compared with 2022. Equitable geographical representation remained particularly low, with only 2 of 56 entities meeting their target. Some entities underperformed across multiple indicators, indicating that they might be experiencing systemic challenges in improving performance against the monitoring framework;

(b) The implementation of the efficiency gains road map relating to development reform for the period from 2022 to 2024 had been delayed. No common back office was implemented in full in 2023 against a target of 20 approved and implemented in 2023, only 5 and 8 of the targeted 66 common premises were completed in 2022 and 2023, respectively, and the global shared service priority list was refined to include 11 services, a significant reduction from the initial 42 global shared services, reflecting little substantial progress having been made. The target of scaling up a business operations strategy in high-risk and complex crisis contexts was postponed from 2023 to 2024 owing to insufficient funding;

(c) There were challenges stemming from the funding shortfall and weaknesses in the coordination of levy collection and reporting for the resident coordinator system. The special purpose trust fund fell short of its fundraising target by $65.03 million in 2023, leading to reduced coordination activities and recruitment freezes. Weaknesses in levy collection mechanisms, in particular in the agency-administered approach, resulted in significant outstanding receivables of $52.87 million, of which $7.47 million was overdue.

278. For UNRWA, fundraising outcomes have been below expectations. Emergency appeals for the Occupied Palestinian Territory, the Syrian Arab Republic and projects were funded at, respectively, 45.35, 27.17 and 43.01 per cent of their targets. Some key fundraising indicators within the resource mobilization and outreach strategy were not achieved. Excluding flash appeals, overall income growth was -1.8 per cent, the diversified income share was 5.2 per cent and diversified income growth was -34.7 per cent. Furthermore, the Microfinance Department's portfolio-at-risk target of 3 per cent was not met for three years, remaining at 5.99, 6.85 and 22.34 per cent, respectively, for 2021, 2022 and 2023.

279. With regard to UNOPS, the Executive Board required UNOPS to refund $123.8 million in excess reserves to paying entities by January 2024. As at 31 December 2023, 60 entities had not been refunded in the total amount of $28.82 million (24 per cent). Management cited unfamiliarity with the refund process as the main reason for the delay. UNOPS proposed extending the deadline to 31 December 2024, which the Executive Board approved in its decision 2024/6.

280. In the UNOPS restated strategic plan for the period 2022–2025, commitments to expanding partners' capacity across the Sustainable Development Goals and responding to countries' needs are highlighted. However, contribution indicators in the 2022–2025 results framework did not align in full with the project focus as required, and Goal contributions were tracked by goals, not specific targets. The composite indicator for reporting on sustainable implementation approaches was

incomplete. To support Goal commitments, strategic shifts and ambitions require greater accountability, stronger digital infrastructure and data capacity.

281. With regard to UNEP, the United Nations Environment Assembly adopted 14 resolutions in 2022, but the Board noted insufficient implementation of them. The plan for resolution 5/5 was delayed by a year, plans for resolutions 5/7 and 5/8 were not integrated and the tracking of unmet milestones for resolution 5/4 was inconsistent. The lack of integrated plans and inadequate performance monitoring of related projects hinder the execution of and support for these resolutions. In addition, an Assembly ministerial declaration commits the entity to improving resource management and environmental data-sharing. The UNEP data strategy is intended to enhance the World Environment Situation Room, increasing country use from 60 to 100. However, notwithstanding the transfer of World Environment Situation Room management to the chief digital officer, data sources remain with Global Resource Information Database Geneva, the platform's developer. The platform supports only 39 countries, falling short of the target.

282. In the case of UN-Habitat, a three-fold framework was created to implement the New Urban Agenda, which guides policy and practice for a better urban future and accelerates the implementation of the 2030 Agenda. However, the collection and analysis of indicator data were insufficient, 154 of 194 national progress reports were not submitted and no budget was proposed, seriously affecting progress on implementation of the New Urban Agenda.

283. In the case of the United Nations Capital Development Fund, the budget was planned on a very informal manner and it did not link to the entity's multi-year strategic framework, which put the entity at risk of the strategic objectives not being achieved or of being delayed owing to budgets deviating from the framework. Moreover, the United Nations Capital Development Fund has been experiencing fundraising challenges, and the entity is exposed to a large degree to the variability of the project portfolio. In order to cope with this, the "resource mobilization plan" was produced in 2023. However, little progress has been made and the idea of a resource mobilization task force to overcome some shortcomings could not be implemented, affecting the implementation of the 2022–2025 strategic framework.

284. In the case of UNDP, the Board noted that the four-year integrated resource plan presented several weaknesses. For example, the border between programmatic and non-programmatic activities was blurred. More broadly, the classification used was not fully clear. The annual budget, also called the "institutional budget", is the annual breakdown of the four-year institutional budget and falls under the authority of the Administrator. Currently, however, the budget documents do not allow for easy review of the consistency of the annual budget with the four-year budget.

285. With respect to UNFPA, while the Humanitarian Response Division was created to align with the 2022–2025 strategic plan, several objectives were not met. The operations centre and the global emergency response team were not established, 18 posts remained vacant and only 62 per cent of the budget had been expended. Three years after launching the humanitarian supplies strategy, UNFPA had not prepared annual workplans and had implemented only 29 per cent of the activities, owing in large part to the lack of a budget for backstopping. Unclear guidance also hindered UNFPA progress in implementing minimum emergency preparedness actions.

C. The way forward

286. Recommendations relating to the above-mentioned audit findings are contained in the relevant audit reports.

287. The Board would like to draw on this cross-entity focus on financial and budget performance to outline some areas for further improvement.

1. Promote a culture of efficiency and awareness of performance

288. To address the deficiencies identified, fostering a culture of efficiency and performance awareness across the entity is essential. Such a culture enhances accountability and transparency within the Organization, which builds trust with stakeholders, including Member States and donors, who expect their contributions to be managed responsibly and effectively. In addition, a performance-oriented culture encourages continuous improvement and innovation, leading to operational excellence, which involves streamlining processes, reducing redundancies and improving the overall effectiveness of programmes and initiatives.

289. To foster this culture, the Board is of the view that senior management needs to demonstrate a commitment to efficiency and performance by setting clear expectations, leading by example and prioritizing these values in decision-making processes and performance measure processes. The shift should also be made from compliance to commitment because it fosters an environment in which individuals take personal responsibility for their contributions to the entity's objectives. When every staff member is aware of the importance of their role in the overall performance of the entity, there is a collective drive towards achieving maximum efficiency. This proactive approach can lead to innovative solutions, streamlined processes and a more agile response to the Organization's various mandates and complex challenges faced by the entity.

2. Improve regulatory framework to provide clear guidance on operating standards, result-based management and monitoring

290. A robust regulatory framework will provide guidance and set standards, among others, to promote clarity, consistency and compliance, mitigate risks and enhance accountability, which are fundamental to strengthening financial and budget discipline and improving financial and budget performance.

291. The Board is of the view that the Organization needs to invest in modernizing its financial and budget management systems to improve the soundness of policy frameworks in order to set clear operating standards. In this regard, there is also a need to further implement results-based budgeting and management by establishing clear, measurable performance metrics and key performance indicators. The Administration could adopt advanced analytics and automated tools to regularly review and monitor compliance with policies and performance so as to detect anomalies and inefficiencies in real time, leverage technology and innovative solutions for financial and budget management, automate routine tasks and use data analytics to inform decision-making. In this regard, the three lines of defence[8] need to fully and duly perform their obligatory functions in monitoring the financial and budget performance for addressing deficiencies and improving performance.

3. Maximize efficiency gains through targeted initiatives and best practices

292. In order to optimize the custodianship and utilization of resources and better adapt to the resource's constraints or even liquidity challenges, the Organization needs to devise efficiency gains initiatives that are incorporated into budget documentation in order to ensure that they are reviewed, implemented, tracked and reported properly.

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[8] Commonly defined as internal control measures, managements controls and independent assurance.

293. The Board would like to encourage more initiatives to be put forward for cost reduction and resource optimization. A thorough assessment of current business modalities and procedures is essential, which involves identifying inefficiencies, leveraging best practices and implementing strategic changes. Close follow-up thereon and inter-agency cooperation need to be ensured. The Board would also like to call for more commitment from the Administration to ensure that efficiency gain initiatives are agreed, have buy-in and receive commitments from all the parties involved to ensure that the envisaged benefits are achieved. In addition, a continuous process improvement plan needs to be developed and integrated into the annual plan to further improve the efficiency and effectiveness of financial and budget performance. Regular training sessions could also be conducted to build capacity among staff in financial management practices to empower them with the skills and knowledge needed to duly implement the efficiency gain initiatives.

4. Strengthen accountability measures to ensure responsibility and ownership

294. A comprehensive accountability system needs to clearly outline the accountability, components thereof and the various mechanisms to enforce it. The absence of such a system could lead to mismanagement, waste of resources and risks to the Organization. Accountability mechanisms drive better performance by ensuring that everyone is aware of their responsibilities and the consequences of not fulfilling them.

295. The Board is of the view that a robust accountability framework with various mechanisms to enforce it needs to be put in place. In this regard, establishing clear regulations and standards is fundamental, providing a basis for both rewards and punitive action. Implementing an effective oversight and monitoring system is crucial to detect and address weaknesses. Further measures to enhance accountability include setting explicit goals and objectives, evaluating performance and compliance regularly, conducting robust investigations, and managing rewards, sanctions and disciplinary measures. By institutionalizing these practices, the Organization can create a culture of continuous improvement and accountability and ensure that accountability is embedded deeply into the organizational structure, ultimately enhancing its operational efficiency and effectiveness.

5. Timely implementation of the Board's recommendations

296. The full and timely implementation of the recommendations of the Board is crucial to ensure that the deficiencies, inefficiencies or non-compliance, among others, identified are duly addressed to facilitate the cost-effective delivery of mandates. The General Assembly and governing bodies have stressed that the Administration needs to indicate an expected time frame for the implementation of the recommendations and the priorities for their implementation, including for the office holders to be held accountable and for measures taken in that regard.

297. In the current audit, the Board has identified potential areas of waste or loss, inefficiencies and non-compliance with efficiency standards, among others, with recommendations put forward to drive improvement and accountability. In this regard, the Board encourages the prioritization of the full and timely implementation of these recommendations to enhance financial and budget efficiency and ensure that a comprehensive monitoring and evaluation system is in place to track progress and outcomes. In addition, the accountability system could be improved further to ensure senior leadership's commitment to implementing the recommendations in an accountable manner. A lesson learned and best practice system could also be enhanced to ensure that the weakness identified do not recur.

VI. Acknowledgement

298. The Board wishes to express its appreciation for the cooperation and assistance extended to it and its staff by the United Nations Secretariat and the funds and programmes.

(*Signed*) **Hou** Kai
Auditor General of the People's Republic of China
Chair of the Board of Auditors

(*Signed*) Dorothy **Pérez Gutiérrez**
Acting Comptroller General of the Republic of Chile

(*Signed*) Pierre **Moscovici**
First President of the French Cour des comptes

24 July 2024

Annex I

Entities covered by the report

Organization	*Lead auditor*
United Nations (Vol. I)	China
United Nations peacekeeping operations	France
International Trade Centre	China
United Nations Capital Development Fund	France
United Nations Development Programme	France
United Nations Environment Programme	China
United Nations Population Fund	Chile
United Nations Human Settlements Programme (UN-Habitat)	China
United Nations Children's Fund	Chile
United Nations Institute for Training and Research	Chile
Office of the United Nations High Commissioner for Refugees	France
United Nations Joint Staff Pension Fund	Chile
United Nations Office on Drugs and Crime	Chile
United Nations Office for Project Services	China
United Nations Relief and Works Agency for Palestine Refugees in the Near East	China
United Nations University	Chile
United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)	Chile
International Residual Mechanism for Criminal Tribunals	Chile

Annex II

Definition of types of audit opinions

	Modified		
Unqualified	*Qualified*	*Adverse*	*Disclaimer*
An unqualified opinion implies that the financial statements of the auditee were prepared, in all material respects, in accordance with the applicable financial reporting framework, i.e. the International Public Sector Accounting Standards, which have been adopted by the United Nations and its funds and programmes.	A qualified opinion Implies that the auditor, who, having obtained sufficient and appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements, or that the auditor is unable to obtain sufficient appropriate audit evidence on which to base an opinion on specific areas, but concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive. Therefore, an auditor expresses an opinion on the fair presentation of financial statements, but with an exception only for the area for which he or she did not get sufficient audit evidence.	An adverse opinion implies that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements, based on sufficient appropriate audit evidence.	A disclaimer of opinion is issued when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, normally due to scope limitation, and concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive. A disclaimer of opinion shall also be issued when, in extremely rare circumstances involving multiple uncertainties, the auditor concludes that, notwithstanding his or her having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial statements owing to the potential interaction of the uncertainties and their possible cumulative effect on the financial statements.

Note: "Emphasis of matter" is to draw users' attention to a matter presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements.
"Other matters" is to draw attention to any other matter that is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.