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

Financial reports and audited financial statements, and reports of the Board of Auditors for the period ended 31 December 2019

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered 20 reports in connection with the financial reports and audited financial statements, and reports of the Board of Auditors for the period ended 31 December 2019, as follows:

(a) Concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors for the annual financial period 2019;

(b) Sixteen financial reports and audited financial statements and reports of the Board of Auditors for the financial period ended 31 December 2019 pertaining to the audited entities;

(c) Financial report and audited financial statements and report of the Board of Auditors on the United Nations Joint Staff Pension Fund;

(d) Report of the Secretary-General on the implementation of the recommendations of the Board of Auditors contained in its report for the year ended 31 December 2019 on the United Nations;

(e) Report of the Secretary-General on the implementation of the recommendations of the Board of Auditors contained in its reports for the year ended 31 December 2019 on the United Nations funds and programmes.

2. A detailed list of reports is set out in the annex to the present report. The Advisory Committee will reflect its comments and recommendations on certain topics in separate reports. In its concise summary, the Board of Auditors included the United Nations peacekeeping operations among the entities audited for the year 2019. The Committee considered the report of the Board on the United Nations peacekeeping



operations for the period from 1 July 2018 to 30 June 2019 in a dedicated report (A/74/806). In addition, the key findings and recommendations of the Board on the United Nations Joint Staff Pension Fund contained in its report (A/75/5/Add.16) are discussed in the report of the Committee on the Pension Fund. Furthermore, the Committee considered the reports of the Board on the strategic heritage plan (A/75/135), the information and communications technology strategy (A/75/156) and the enterprise planning system (A/75/159) of the United Nations in separate reports.

3. During its consideration of the reports, the Advisory Committee met the members of the Audit Operations Committee of the Board of Auditors, who provided additional information and clarification, concluding with written responses received on 25 October 2020. The Committee also met representatives of the Secretary-General, who provided additional information and clarification on the status of implementation of the Board's recommendations, concluding with written responses received on 29 October.

4. As indicated in its concise summary, social distancing measures and travel restrictions resulting from the coronavirus disease (COVID-19) pandemic led the Board of Auditors to conclude its audits remotely. The timing and extent of the remote audits are disclosed in the respective auditors' reports. In order to conduct remote audit work, the Board adapted processes and employed alternative audit procedures to obtain the required assurance (A/75/177, para. 237).

5. **The Advisory Committee commends the Board of Auditors for the continued high quality of its reports despite the difficulties resulting from the COVID-19 pandemic. The Committee continues to find the reports of the Board valuable in the conduct of its own work. The Committee also appreciates the concise summary and would welcome the inclusion of further information of a cross-cutting nature in the Board's future concise summary reports (see also A/74/528, para. 4).**

II. Audit opinions of the Board of Auditors

6. As in previous years, the Board of Auditors issued unqualified audit opinions for all audited entities. The Advisory Committee notes that UNHCR and UNFPA received an unqualified opinion, with an emphasis of matters linked to the COVID-19 pandemic. The Board indicated in its concise summary that, owing to the pandemic, independent third-party auditors for UNHCR and UNFPA had been unable in part to perform their field audit of the expenses of implementing partners and that the Board had obtained alternative audit evidence. Another emphasis of matter reflected the fact that UNHCR relied heavily on voluntary contributions from a limited number of top donors, with a significant share of contributions due only in future years. According to the Board, the global economic downturn might therefore result in funding constraints and uncertainties with regard to humanitarian aid programmes (see A/75/177, para. 238). **While noting the uncertainties created by the COVID-19 pandemic, the Advisory Committee welcomes the fact that all entities under review have again received unqualified audit opinions from the Board of Auditors.**

III. Majors findings of the Board of Auditors

A. Main observations

1. Financial situation of the audited entities

7. As indicated in the concise summary, the Board of Auditors observed that, of the 17 audited entities,¹ 11 had closed the financial year with a surplus, while 6 had recorded a deficit. The Board also noted that, of those six entities, two had recorded a deficit in the previous year² and four had recorded a surplus³ (ibid., paras. 6–7 and table 1). Details of the Board’s analysis of the financial ratios are presented in the concise summary and in the relevant sections of the audit reports of the individual entities. The Board observed that only one entity⁴ had fewer assets than liabilities as at 31 December 2019. According to the Board, a ratio above 1 indicates an entity’s ability to meet its overall obligations. With regard to the entities that had a ratio equal to or slightly above 1, the Board considered that there was no immediate threat to their solvency because the majority of their liabilities was of a long-term nature. According to the Board, however, those entities needed to strengthen their asset position over the long term (ibid., para. 14).

8. The Board of Auditors indicated that, in general, the financial position of all entities remained at least sufficient as at 31 December 2019. The solvency ratios and liquidity ratios were comfortably high for most of the entities (the only exception being the United Nations peacekeeping operations) and there was no immediate threat to their solvency.⁵ However, the Board considered that, from a short-term perspective, there might be pressure on the liquidity side (ibid., para. 17).

9. The Advisory Committee notes the conclusion of the Board of Auditors that the overall financial positions of the audited entities were sufficient as at 31 December 2019. The Committee continue to find the Board’s financial analysis of entities pertinent and very useful and encourages it to continue to include comparative data with analysis in future reports, including the trends in ratios over time and the correlation between ratios and the operational nature of an entity (see also [A/74/528](#), para. 10).

¹ The United Nations, the United Nations peacekeeping operations, the International Trade Centre (ITC), the United Nations Capital Development Fund (UNCDF), the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP), the United Nations Population Fund (UNFPA), the United Nations Human Settlements Programme (UN-Habitat), the United Nations Children’s Fund (UNICEF), the United Nations Institute for Training and Research (UNITAR), the Office of the United Nations High Commissioner for Refugees (UNHCR), the United Nations Office on Drugs and Crime (UNODC), the United Nations Office for Project Services (UNOPS), the United Nations University (UNU), the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), the International Residual Mechanism for Criminal Tribunals (IRMCT) and the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA). The United Nations Joint Staff Pension Fund (UNJSPF) is not included because it follows a different accounting standard.

² United Nations peacekeeping operations and UN-Habitat.

³ UNDP, UNHCR, UNRWA and IRMCT.

⁴ ITC has an assets-to-liabilities ratio equal to 0.90.

⁵ In its concise summary, the Board discussed four main ratios: assets to liabilities ratio (total assets to total liabilities), current ratio (current assets to current liabilities), quick ratio (cash + short-term investments + accounts receivable to current liabilities) and cash ratio (cash + short-term investments to current liabilities). Assets to liabilities ratio and current ratio are solvency ratios. The quick ratio and cash ratio are the liquidity ratios.

2. Liquidity management

10. In its report on the United Nations (Vol. I), the Board of Auditors indicated that the overall financial position of the Organization as at 31 December 2019 remained sound, with an overall surplus of \$0.25 billion reflecting total revenue of \$6.89 billion and expenses of \$6.64 billion. For the regular budget, actual expenditure matched the final annual budget of \$3.06 billion (A/75/5 (Vol. I), para. 12). The Board noted, however, that the periodic cash shortage in the regular budget had persisted in 2019 and that the borrowings from the Working Capital Fund could not be repaid owing to insufficient liquid funds available within the budget. Similarly, the borrowings valuing \$202.8 million from the Special Account had not been repaid at the end of the year. The Board also noted that outstanding contributions of \$711.8 million at the end of 2019 were the highest in the past five years. For the regular budget and related funds, as at 31 December 2019, the ratio of cash assets to current liabilities was merely 0.1 and the ratio of current assets to current liabilities was 1.1 (ibid., para. 20 and table IV.1).

11. The Board of Auditors observed that the balances in the “regular budget assessed funds”, comprising the regular budget fund, the Working Capital Fund and Special Account, were low at the end of 2019 (\$23.3 million) and had been steadily declining over the previous four years. However, once the balances of two other funds that were used to manage liquidity, the Tax Equalization Fund and the United Nations Development Account, were also considered, the balance position at the end of 2019 was higher (\$247.2 million). The Board added that, when the balances of common support funds and the programme support cost funds were also considered, the cash balance position at year-end improved further (ibid., paras. 23–24 and table II.4).

12. The Board of Auditors recommended, in particular, that the Administration review the authority, basis and structure of the tax equalization cost-recovery and other common support services funds to identify opportunities for their rationalization and the consideration of their balances in managing the liquidity position of the regular budget. The Administration requested the closure of the recommendation, given that it considered that funding the regular budget was the responsibility of Member States, while supplementing the regular budget liquidity from other funding sources would merely exacerbate the problem in other areas of operations (see A/75/5 (Vol. I), paras. 28–29, A/75/339, paras. 10–11).

13. The Advisory Committee notes the recommendation of the Board of Auditors to identify opportunities for the consideration of the balances of the tax equalization, cost recovery and other common support services funds, in managing the liquidity position of the regular budget. The Committee considers that the implementation of this recommendation deserves further analysis and trusts that additional information will be provided to the General Assembly at the time of its consideration of the present report.

3. Fund commitments

14. In its report on the United Nations (Vol. I), the Board of Auditors indicated that a total of \$209.425 million was lying as open commitments as at 31 December 2019, which comprised open purchase order commitments of \$126.92 million, open fund commitments of \$74.22 million and open travel commitments of \$8.28 million (A/75/5 (Vol. I), para. 107). According to the Board, fund commitments allowed an entity to encumber funds against its budget to settle commitments that it has entered into during a financial period. The Board added that those commitments should not be created solely to reserve funds for the subsequent year. In accordance with regulation 5.3 of the Financial Regulations and Rules of the United Nations, the balance of the appropriation should be surrendered. The Board considered that the use of fund commitments within the Umoja enterprise resource planning system did not provide

the required level of visibility and control and reiterated its recommendation that the Administration strengthen the scrutiny of open commitments after the closure of the budget period and ensure the creation of commitments in line with the provisions of the Financial Regulations and Rules. The Board also recommended that the Administration expedite the finalization of guidelines for the usage of fund commitments and ensure compliance with the guidelines in rationalizing the creation of that commitment type (ibid., paras. 106–107 and 111–112). In the context of its consideration of the proposals of the Secretary-General for transfer of funds between budget sections for the financial period 2018–2019, the Advisory Committee was informed, upon enquiry, that total commitments at the end of December 2019 amounted to \$172.4 million, of which \$59.4 million had been liquidated as at 30 April 2020, leaving unliquidated obligations of \$112.9 million, and that, as at 30 June 2020, the unliquidated commitments for the 2018–2019 budget period had declined further, to \$96.5 million. **The Advisory Committee concurs with the recommendations of the Board of Auditors on fund commitments and trusts that further clarifications and the latest figures on liabilities will be provided to the General Assembly at the time of its consideration of the report (see also A/75/538, para. 46).**

4. Cash and investment management

15. In its concise summary, the Board of Auditors noted that the United Nations and several of its funds and programmes managed significant amounts of cash and investments. The Board observed that, with the implementation of Umoja, the United Nations had implemented a house bank system in which bank accounts were no longer associated with individual entities, but maintained by currency and country, and that all participating entities used them for carrying out transactions. The Board also noted that the United Nations Treasury maintained an investment pool for eight participating entities and that UNDP managed an investment pool covering four other entities, while four others (UNHCR, UNICEF, UNOPS and UNRWA) were not pooled or managed by others (A/75/177, paras. 18–19).

16. In its dedicated report, the Board of Auditors indicated that UNOPS was a self-financing entity operating on the basis of full cost recovery. The Board noted that, in line with the zero net revenue target, the budgeted reserves of UNOPS were frozen at their existing values for 2018 and 2019. However, the actual reserves had increased considerably, from \$192.9 million in 2018 to \$252 million in 2019. The Board also noted that UNOPS had authorized investments (\$8.8 million in 2018, \$30 million in 2019 and \$20 million in February 2020) under the Sustainable Infrastructure Impact Investments initiative without any formal governance structure or framework. The Board further noted that the UNOPS provident fund investment portfolio, which was established in 2014, had performed below the benchmark (A/75/5/Add.11, para. 8 (summary), paras. 18–20 and 84).

17. The Board of Auditors recommended that UNOPS review its required minimum operational reserves and adhere to its policy of full cost recovery, so that the risks arising during the course of its operations were effectively met and surpluses were not accumulated over and above the realistically assessed operational reserves. The Board also recommended, inter alia, that UNOPS review and document the performance of the investment manager at intervals (ibid., paras. 23 and 90).

18. The Advisory Committee considered issues related to the centralized treasury investment management function and the benchmarks for minimum and maximum levels of operational reserve in its report on the management reform (see A/75/538, paras. 38–44). **The Advisory Committee is concerned that the Secretary-General did not implement the decisions taken by the General Assembly in its resolutions 73/268 and 74/249 on these issues. The Committee concurs with the findings of the Board of Auditors and recommends that the Assembly again request the**

Secretary-General, in his role as Chair of the United Nations System Chief Executives Board for Coordination, to present viable options for a centralized Treasury investment management function of the United Nations system and facilitate the development of reasonable benchmarks for minimum and maximum levels of the operational reserves for the United Nations system. The Committee looks forward to a status update thereon in the next financial statements (see also [A/74/528](#), paras. 14 and 16, [A/73/430](#), paras. 16 and 18, and [A/72/537](#), para. 11).

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

19. With regard to the implementation of its recommendations, the Board of Auditors highlighted in its concise summary that, for all audited entities, the overall rate of implementation of the extant recommendations from the previous period had increased from 39 per cent in 2018 to 41 per cent in 2019 (see [A/75/177](#), para. 195 and table 8). The status of the implementation of recommendations across the audited entities is detailed in the audit reports of the individual entities and in the dedicated reports of the Secretary-General ([A/75/339](#) and [A/75/339/Add.1](#)). The table below provides the breakdown of the recommendations fully implemented by entity in 2018 and 2019.

Recommendations fully implemented in 2018 and 2019

Entity	Number of audit recommendations as at end of financial period		Audit recommendations fully implemented during the period			
	2019	2018	2019		2018	
			(number)	(percentage)	(number)	(percentage)
United Nations (Vol. I)	224	167	49	21.88	13	7.78
United Nations peacekeeping operations	103	110	24	23.30	56	50.91
ITC	17	17	4	23.53	8	47.06
UNCDF	8	9	8	100.00	8	88.89
UNDP	51	49	29	57.00	17	34.69
UNEP	35	17	11	31.43	3	17.65
UNFPA	27	26	22	81.48	13 ^a	50.00
UN-Habitat	38	20	3	7.89	4	20.00
UNICEF	80	66	33	41.25	34	51.52
UNITAR	9	10	7	77.78	8	80.00
UNHCR	96	67	48	50.00	35	52.24
UNJSPF	45	38	33	73.33	12 ^b	31.58
UNODC	50	65	22	44.00	27	41.54
UNOPS	48	51	32	66.67	31	60.78
UNRWA	46	54	27	58.70	32	59.26
UNU	32	55	17	53.13	22	40.00
UN-Women	22	16	15	68.18	6	37.50
IRMCT	19	18	7	36.84	7	38.89
Total number	950	855	391		336	
Overall percentage				41		39

Source: Concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors for the annual financial period 2019 ([A/75/177](#), table 9).

^a Differences between the figures reported in the concise summary for 2018 and the same figures for 2018 in the present report are due to a revaluation of recommendations completed in 2018. In the concise summary for 2018, the reported figure was 24.

^b See footnote *a*; in the concise summary for 2018, the reported figure was 13.

20. The table above shows that the implementation rate for the United Nations (Vol. I) increased from 8 per cent in 2018 to 22 per cent in 2019, but remained the lowest among the United Nations entities, with the exception of UN-Habitat (8 per cent). In certain entities, the implementation rate declined significantly (United Nations peacekeeping operations, ITC, UNICEF and UN-Habitat), while in other entities (UNCDF, UNDP, UNEP, UNFPA, UNJSPF, UNU and UN-Women), the rates had improved significantly.

21. The Secretary-General indicates that, of the 113 recommendations issued for 2019 for the United Nations (Vol. I), six recommendations were not accepted by the Administration and closure was requested for eight recommendations. Of the 99 recommendations that are under implementation, 44 are scheduled to be implemented in 2020, 35 in 2021, 10 between 2022 and 2024, and 10 are of an ongoing nature. With regard to the funds and programmes, the Secretary-General indicates that, of the 419 recommendations issued for 2019, 14 recommendations were not accepted and closure was requested for 66 recommendations (see [A/75/339](#), para. 9 and table 2, and [A/75/339/Add.1](#), tables 1–42).

22. With respect to the recommendations from previous years, the Secretary-General indicates that, of the 405 recommendations issued for the United Nations (Vol. I) between 2008 and 2018, 200 recommendations were implemented, 39 recommendations were closed by the Board of Auditors or overtaken by events, 153 recommendations are under implementation and 13 recommendations have not been implemented (see [A/75/339](#), table 3). Upon enquiry, the Advisory Committee was informed that, with regard to the recommendations that were not accepted, the Administration did not agree with the underlying observations by the Board or with the practicality of the recommendations themselves. With respect to the recommendations in which closure was requested, the Administration agreed, in general, with the premise of such recommendations but considered that the following situations justified their closure: (a) adequate actions had already been taken; (b) there were adequate mitigating controls in place; (c) corrective actions were beyond the purview or control of the Administration; and (d) the General Assembly had requested the Secretary-General not to implement a recommendation. In addition, regarding some recommendations linked to ongoing transformational initiatives or requiring additional funding, the Administration had either requested the closure of the recommendations or set their target dates as “ongoing”.

23. The Advisory Committee recalls that the General Assembly, in its resolution [73/268](#), reiterated its request to the Secretary-General and the executive heads of the funds and programmes of the United Nations to ensure full implementation of the recommendations of the Board of Auditors and the related recommendations of the Committee in a prompt and timely manner. The Committee reiterates its recommendation that the Assembly request the Secretary-General to fully cooperate with the Board and again trusts that the Administration will continue to enhance its collaboration with the Board on the recommendations that have been fully or partially accepted or not accepted by the Administration and on the status of recommendations for which the Administration has requested closure (see also [A/74/528](#), para. 13, and [A/74/806](#), paras. 22 and 24).

24. With regard to the recommendations from prior periods, the Advisory Committee recommends that the General Assembly request the Secretary-General to improve the rate and timeliness of the implementation of the recommendations of the Board of Auditors (see also [A/74/806](#), para. 27, [A/72/789](#), para. 26, and [A/71/845](#), para. 5).

B. Other cross-cutting matters

1. Employee benefit liabilities

25. In its concise summary, the Board of Auditors indicated that employee benefit liabilities had increased during the year 2019 for 13 entities. The Board noted, for example, that actuarial losses on employee benefits liabilities had amounted to more than \$1 billion for the United Nations (Vol. I) in 2019. The main reasons for the increases were changes in the actuarial assumptions and calculations. Across all entities, after-service health insurance accounted for the majority of the employee benefit liabilities (see [A/75/177](#), paras. 24–26 and table 4, and [A/75/5 \(Vol. I\)](#), para. 13).

26. In its report on UNHCR, the Board of Auditors observed that after-service health insurance liabilities had a large impact on the financial situation of the entity. They amounted to \$798.8 million in 2019, which represented an increase of \$210.2 million compared with 2018. The main reasons for the increase were actuarial losses of \$119.7 million and past service costs of \$47.4 million ([A/75/5/Add.6](#), para. 16). Upon enquiry, the Advisory Committee was informed that, in 2019, an amount of \$36.5 million in after-service health insurance liabilities pertaining to the first-time inclusion of posts funded in part from the regular budget had been financed through voluntary contributions. According to UNHCR, this will be a recurring issue because after-service health insurance costs for regular budget posts will continue to be funded in part from voluntary contributions.

27. With regard to the valuation of after-service health insurance, the Board of Auditors pointed out, in its report on the United Nations peacekeeping operations ([A/74/5 \(Vol. II\)](#)), that the date of entry on duty in the census data submitted to the actuary was erroneous. The Board recommended that the Administration ensure the correctness of the entry-on-duty date parameters to ensure the reliability of the census data and consequent valuations ([A/75/5 \(Vol. I\)](#), para. 140). Similarly, the Board recommended that UNHCR obtain and maintain accurate data on the service and health-care plan participation history of its staff members ([A/75/5/Add.6](#), para. 20). Upon enquiry, the Advisory Committee was informed that UNHCR had submitted a proposal to the Joint Inspection Unit of the United Nations system to consider including in its programme of work for 2020 a study on the possible harmonization of practices among United Nations system agencies with regard to the calculation of the number of years of duty to be considered for the purpose of actuarial calculations of after-service health insurance liabilities.

28. The Advisory Committee reiterates its concern about the inaccuracy of the data used to assess the liabilities related to after-service health insurance and their actuarial valuation. The Committee recalls that it requested the Board of Auditors to conduct a review of the after-service health insurance expenditure, so as to increase transparency and ensure compliance with the Financial Regulations and Rules of the United Nations, and to submit a report on this matter during the seventy-fifth session of the General Assembly (see also [A/74/806](#), paras. 9 and 11).

2. Implementation of the development reform

Resident coordinator system

29. In its resolution [72/279](#), the General Assembly had decided to create a dedicated, independent, impartial, empowered and sustainable development-focused coordination function for the United Nations development system by separating the functions of the resident coordinator from those of the resident representative of UNDP. In its report on the United Nations (Vol. I), the Board of Auditors noted that a

reinvigorated resident coordinator system was at the centre of the repositioning the United Nations development system. The Board also noted that, with the support of UNDP, an operational transition had occurred in January 2019, when the Development Coordination Office of the Secretariat assumed managerial and oversight functions of the new resident coordinator system ([A/75/5 \(Vol. I\)](#), para. 422).

30. In accordance with General Assembly [72/279](#), the system was to be funded through: (a) a coordination levy of 1 per cent on tightly earmarked third-party non-core contributions to United Nations development-related activities; (b) doubling the current United Nations Sustainable Development Group cost-sharing arrangement among United Nations development system entities; and (c) voluntary, predictable, multi-year contributions to a dedicated trust fund to support the inception period. The Board of Auditors indicated in its report on the United Nations (Vol. I) that the cost of the system was estimated at \$281 million annually and noticed a significant shortfall for 2019, for the actual revenue amounted to only \$223 million. Moreover, the Board was informed that two entities had decided to not participate in the United Nations Sustainable Development Group and one entity had stated that it would not pay its contribution for 2019 in full (see [A/75/5 \(Vol. I\)](#), paras. 422, 423 and 427 and table II.7). The Board recommended, inter alia, that the Administration take steps to address the funding gap issues with the agencies not participating in cost-sharing and continue its efforts and explore avenues to further improve the inflow of resources for the smooth and optimum functioning of the reinvigorated resident coordinator system (*ibid.*, paras. 431 and 433).

31. The Board of Auditors, however, assessed that the repositioning of the resident coordinator system was ongoing. Of the 129 resident coordinator posts covering 162 countries, 106 had been filled by the end of December 2019. The Board indicated that recruitment efforts for the 995 posts of the new system were under way and recommended that the Administration expedite the recruitment process of resident coordinators (*ibid.*, paras. 440 and 443 and table II.8).

32. In its report on UNDP, the Board of Auditors acknowledged the continuous commitment of the entity to finalizing the administrative steps initiated to accomplish the delinking targets. Notably, the Board recommended that UNDP continue to monitor open resident coordinator office projects, expedite project closure to the extent possible and continue to monitor and report the number of staff members provided under transition arrangements to the resident coordinator system (see [A/75/5/Add.1](#), paras. 223–225). Upon enquiry, the Advisory Committee was informed that, as of 1 January 2020, the administration of payroll and entitlement for all resident coordinators had been transferred in full to the Secretariat, marking the end of all transitional arrangements concerning the resident coordinator function.

Common business operations

33. In its resolution [72/279](#), the General Assembly welcomed the measures by the Secretary-General to advance common business operations, where appropriate, including common back offices. The Secretary-General had requested that the High-Level Committee on Management and the United Nations Sustainable Development Group devise a strategy that would see the establishment of common back offices for all United Nations country teams by 2022. In its report on the United Nations (Vol. I), the Board of Auditors considered that it would be very challenging to achieve the target of common back offices by 2022 and recommended that the Administration set specific timelines with interim targets and milestones for the roll-out of common back offices (see [A/75/5 \(Vol. I\)](#), paras. 504, 511 and 512).

34. With regard to common premises, in his report ([A/72/684–E/2018/7](#)), the Secretary-General highlights the need to ensure greater economies of scale and more

strategic utilization of common premises. According to the Secretary-General, there are more than 2,900 United Nations premises around the world, of which only 16 per cent are common premises. His intention is to increase the proportion of common premises to 50 per cent by 2021. In its report on the United Nations (Vol. I), the Board of Auditors considered that it would be very challenging to achieve the target of 50 per cent of common premises by 2021, given that, by the end of 2019, the pilot projects for common premises had been completed in four countries, while two additional projects were being finalized. The Board recommended, inter alia, that the Administration set a realistic timeline, with interim milestones for the implementation of common premises (see [A/75/5 \(Vol. I\)](#), paras. 525 and 528).

35. The Advisory Committee concurs with the recommendations of the Board of Auditors on the development reforms and stresses the importance of implementing the recommendations of the Board fully and expeditiously. The Committee recalls paragraph 77 of its budget report ([A/75/7](#)) and recommends that the General Assembly request the Secretary-General to provide in the budgets detailed information on system-wide initiatives pertaining to administrative and budgetary matters that are aimed at consolidating efficiency gains and improving coordination, including cost-recovery and cost-sharing arrangements (see also [A/75/7](#), paras. I.39 and IV.28).

3. Cost recovery

36. In its resolution [72/279](#), the General Assembly requested the United Nations development system to comply with existing full-cost recovery policies and further harmonize cost recovery by individual United Nations development system entities through differentiated approaches. In this regard, the Board of Auditors took note of a decision of the Executive Board of UNDP and UNFPA, along with decisions by UNICEF and UN-Women, regarding a harmonized methodology for indirect cost recovery rates at 8 per cent ([A/75/5/Add.11](#), para. 28).

37. In its report on the United Nations (Vol. I), the Board observed that there was an increase in the balance of the cost recovery fund in the cash pool, from \$152.9 million (2016) to \$252.4 million (2019), and a wide variation in rates for similar activity types in the catalogue rates of December 2019. The Board also observed that there was no consistency in the identification of cost elements for the preparation of cost plans among entities in the Secretariat. The Board recommended, inter alia, that the Administration complete the harmonization exercise in a time-bound manner and review existing methodology and instruction on cost recovery (see [A/75/5 \(Vol. I\)](#), paras. 49 and 63).

38. The Advisory Committee concurs with the recommendations of the Board of Auditors on cost recovery and stresses the importance of harmonizing the cost recovery methodology and rates among United Nations entities in a timely manner.

4. Fraud-related matters

39. In its report on the United Nations (Vol. I), the Board of Auditors indicated that, for 2019, the Administration had reported 147 cases of fraud and presumptive fraud for an estimated amount of \$6.34 million, compared with 32 cases for an estimated amount of \$2.9 million in 2018 (see [A/75/5 \(Vol. I\)](#), para. 650 and [A/74/528](#), para. 17). The Board also indicated that the 147 cases of fraud and presumptive fraud cases included 23 cases that had been initially reported between February and December 2018 but were included only in the report for 2019. The Board recommended, in particular, that the Administration strengthen controls to ensure that entities reported details of fraud or presumptive fraud as soon as it came to their notice ([A/75/5 \(Vol. I\)](#), paras. 656 and 660).

40. In its report on UNICEF, the Board of Auditors considered that fraud, waste and misuse of resources continued to be a key risk as UNICEF implemented programmes for children in local country contexts (A/75/5/Add.3, chap. IV, para. 138). The Board indicated that the Administration had reported 15 cases of fraud or presumptive fraud closed during 2019 by the Office of Internal Audit and Investigations and 413 cases of fraud or presumptive fraud relating to cash-based transfers (compared with 184 cases in 2018), which had been investigated by an independent organization engaged by UNICEF. The Board recommended, inter alia, that UNICEF identify the reasons for gaps in achieving the minimum level of assurance activities and take urgent action to ensure that, at the very least, the minimum level of spot checks was carried out for all the implementing partners (A/75/5/Add.3, paras. 132 and 322). Upon enquiry, the Advisory Committee was informed that, for the 413 cases of fraud or presumptive fraud relating to cash-based transfer cases closed during 2019, substantiated fraudulent transaction loss had amounted to \$70,262, of which \$65,825 had been recovered.

41. In its report on UNDP, the Board of Auditors indicated that 105 cases of fraud or presumptive fraud had been reported by the entity. The Board observed an increase in the number of substantiated investigation cases for fraud-related categories of misconduct, from 50 cases in 2017 to 60 in 2018 and 64 in 2019, and recommended, inter alia, that UNDP define its organizational priorities through an organization-specific anti-fraud strategy, continue to implement its fraud risk management framework action plan and enhance the awareness of country offices and other units on how to conduct fraud risk assessments in an integrated manner (A/75/5/Add.1, paras. 98–101, 295 and figure II.III).

42. The Advisory Committee concurs with the recommendations of the Board of Auditors on fraud-related matters and stresses again the importance of implementing these recommendations expeditiously and holding accountable individuals in instances where the allegations have been substantiated (see also A/74/528, para. 18).

5. Use of non-staff personnel

43. In past reports, the Board of Auditors has highlighted issues concerning the use of consultants in the United Nations offices covered in volume I and in various other entities (see, for example, A/73/209, paras. 73–83). Specifically, regarding consultants engaged by ITC, the Board had recommended that ITC select consultants through a competitive process and avoid using consultants for the performance of generic tasks. In its report for 2018, the Board observed that ITC had awarded 70 consultant contracts at fees higher than the maximum fee associated with the assigned level (A/74/528, paras. 27 and 28). In its report for 2019, the Board observed that the hiring process for consultants and individual contractors was not competitive in 419 cases, which was not in accordance with the ITC administrative instruction on consultants and individual contractors. The Board reiterated its recommendation that ITC select consultants through a competitive process and establish a more rigorous formal selection process (A/75/5 (Vol. III), paras. 28 and 35).

44. In its dedicated report, the Board of Auditors observed that UNHCR engaged individual contractors under agreements with UNOPS. In 2019, UNHCR spent \$87.8 million on contractors engaged through UNOPS. The Board noted that the UNHCR framework did not define sufficient preconditions for using the services of a contractor under UNOPS agreements and that UNHCR did not record all the necessary data in its enterprise resource planning system for reporting on and monitoring those agreements. The Board recommended, notably, that UNHCR establish comprehensive controls to prevent inconsistency of data on contractors engaged through UNOPS and define more clearly under what circumstances the engagement of UNOPS contractors was considered to be reasonable and necessary

for its operations (see [A/75/5/Add.6](#), paras. 293, 311, 314 and 316). Upon enquiry, the Advisory Committee was informed that UNHCR was about to issue a new administrative instruction on the management of affiliate workforce, which would ensure a consistent and coherent approach in the management of that workforce.

45. The Advisory Committee concurs with the recommendations of the Board of Auditors and reiterates the request of the General Assembly that United Nations entities exercise proper oversight in the application of relevant policies and guidelines, such as in the recruitment of and the overall management process relating to non-staff personnel, including consultants, and to ensure the ongoing transparency of information provided thereon (see [A/74/528](#), para. 29, [A/73/430](#), para. 27, and General Assembly resolution [73/268](#)).

6. Procurement

46. In its concise summary, the Board of Auditors highlighted key findings and recommendations in the area of procurement for some of the funds and programmes (see [A/75/177](#), paras. 63, 70, 91 and 142). In its report on the United Nations (Vol. I), the Board paid particular attention to the evaluation of bidding proposals. The Board noticed that changes to the United Nations General Conditions of Contract and the draft form of the contract may be proposed and considered at the United Nations' sole discretion during the evaluation of proposals. However, non-acceptance of the General Conditions of Contract and/or draft form of the contract may lead to the rejection of the proposal. The Board found that the Procurement Division did not take into account the changes proposed during the evaluation of proposals because the commercial evaluations did not score those aspects ([A/75/5 \(Vol. I\)](#), paras. 567–568).

47. The Board of Auditors recommended that the Administration score change requests to the United Nations General Conditions of Contract and/or the draft form of the contract during the evaluation of proposals in procurement cases in which the United Nations considered such modifications (*ibid.*, para. 570). The Administration did not accept the recommendation because it considered that applying the scoring of United Nations General Conditions of Contract modifications universally would be extremely difficult to implement and not in the best interest of the Organization ([A/75/339](#), paras. 215 and 216).

48. The Advisory Committee concurs with the recommendations of the Board regarding procurement. Concerning the recommendation to score changes to the United Nations General Conditions of Contract and/or the draft form of the contract during the evaluation of proposals, the Committee trusts that further justification will be provided to the General Assembly at the time of its consideration of the present report.

7. Peace and security reform

49. In its report on the United Nations (Vol. I), the Board of Auditors noticed that the reform of the United Nations peace and security pillar as proposed by the Secretary-General, included among its key elements the creation of the Department of Peace Operations and the Department of Political and Peacebuilding Affairs, the latter combining the strategic, political and operational responsibilities of the erstwhile Department of Political Affairs and the peacebuilding responsibilities of the Peacebuilding Support Office ([A/75/5 \(Vol. I\)](#), paras. 542–543).

50. The Board of Auditors noted that the General Assembly and the Security Council had stressed the importance of revitalizing the Peacebuilding Support Office to support the Peacebuilding Commission, increase synergies with other parts of the United Nations system and provide strategic advice to the Secretary-General. The Board also noted that that three posts funded from the regular budget and one from

extrabudgetary resources were to be transferred to the Office from the capacities freed up by the merger of the regional divisions and the creation of a single executive office for the Department of Peace Operations and the Department of Political and Peacebuilding Affairs. The Board observed, however, that there was no change in the specific output expectations of that Office, despite its resource increase. The Board recommended that the Department of Political and Peacebuilding Affairs and the Office develop relevant criteria for assessing enhanced output as a result of the deployment of additional resources in the Office (*ibid.*, paras. 555–558; see also General Assembly resolutions [72/276](#) and [70/262](#) and Security Council resolutions [2413 \(2018\)](#) and [2282 \(2016\)](#)).

51. With regard to the financing of the peacebuilding efforts, the Board of Auditors indicated that the Peacebuilding Fund, which is funded by voluntary contributions and managed by the Peacebuilding Support Office, had projected resources in the amount of \$500 million for the period 2017–2019. However, the contributions amounted only to \$355.8 million, in addition to the \$116 million carried over from previous cycles. The Board observed that the Peacebuilding Fund had to reduce its programming targets by nearly \$60 million and recommended that the Office continue efforts to augment financial resources of the Peacebuilding Fund.

52. The Advisory Committee concurs with the recommendations of the Board of Auditors and will make further observations and recommendations in the context of its consideration of the report of the Secretary-General on the review of the implementation of the peace and security reform ([A/75/202](#)).

Annex

Financial reports, audited financial statements and reports of the Board of Auditors for the financial period ended 31 December 2019 and related reports considered by the Advisory Committee on Administrative and Budgetary Questions

Reports of the Board of Auditors

1. Concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors for the annual financial period 2019 ([A/75/177](#))
2. United Nations ([A/75/5 \(Vol. I\)](#))
3. International Trade Centre ([A/75/5 \(Vol. III\)](#))
4. United Nations University ([A/75/5 \(Vol. IV\)](#))
5. United Nations Development Programme ([A/75/5/Add.1](#))
6. United Nations Capital Development Fund ([A/75/5/Add.2](#))
7. United Nations Children's Fund ([A/75/5/Add.3](#))
8. United Nations Relief and Works Agency for Palestine Refugees in the Near East ([A/75/5/Add.4](#))
9. United Nations Institute for Training and Research ([A/75/5/Add.5](#))
10. Voluntary funds administered by the United Nations High Commissioner for Refugees ([A/75/5/Add.6](#))
11. Fund of the United Nations Environment Programme ([A/75/5/Add.7](#))
12. United Nations Population Fund ([A/75/5/Add.8](#))
13. United Nations Human Settlements Programme ([A/75/5/Add.9](#))
14. United Nations Office on Drugs and Crime ([A/75/5/Add.10](#))
15. United Nations Office for Project Services ([A/75/5/Add.11](#))
16. United Nations Entity for Gender Equality and the Empowerment of Women ([A/75/5/Add.12](#))
17. International Residual Mechanism for Criminal Tribunals ([A/75/5/Add.15](#))
18. United Nations Joint Staff Pension Fund ([A/75/5/Add.16](#))

Related reports

19. Report of the Secretary-General on the implementation of the recommendations of the Board of Auditors contained in its report for the year ended 31 December 2019 on the United Nations ([A/75/339](#))
20. Report of the Secretary-General on the implementation of the recommendations of the Board of Auditors contained in its reports for the year ended 31 December 2019 on the United Nations funds and programmes ([A/75/339/Add.1](#))